

# GREEN MOUNTAIN COFFEE ROASTERS INC

## FORM 10-K (Annual Report)

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Address	33 COFFEE LANE WATERBURY, VT 05676
Telephone	8022445621
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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 10-K**

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(Mark One)

Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended September 30, 2000

OR

Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission file number 1-12340*

**GREEN MOUNTAIN COFFEE, INC.**

(Exact name of registrant as specified in its charter)

Delaware

03-0339228

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS employer identification no.)

33 Coffee Lane, Waterbury, Vermont

05676

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's telephone number: (802) 244-5621

**Securities registered pursuant to Section 12(b) of the Exchange Act: None**  
**Securities registered pursuant to Section 12(g) of the Exchange Act:**

Common Stock, \$.10 par value per share  
(Title of class)

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 past 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.

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

The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on November 30, 2000 was approximately \$55,803,000 based upon the closing price of such stock on that date.

As of November 30, 2000, 3,147,480 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 definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on March 15, 2001 have been incorporated by reference into Part III of this report. The registrant will file the definitive Proxy Statement by January 29, 2001.

**GREEN MOUNTAIN COFFEE, INC.**  
**Annual Report on Form 10-K**

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Certain statements contained herein are not based on historical fact and are "forward-looking statements" within the meaning of the applicable securities laws and regulations. In addition, the Company's representatives may from time to time make oral forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statements that do not directly relate to any historical or current fact. Words such as "anticipates", "believes", "expects", "will", "feels", "estimates", "intends", "plans", "projects", and similar expressions, may identify such forward-looking statements. Owing to the uncertainties inherent in forward-looking statements, 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, business conditions in the coffee industry and food industry in general, the impact of the loss of a major customer, fluctuations in availability and cost of green coffee, economic conditions, prevailing interest rates, competition, the management challenges of rapid growth, variances from budgeted sales mix and growth rate, consumer acceptance of the Company's new products, the impact of a tighter job market, weather and special or unusual events, as well as other risk factors described in Item 1 of this report on Form 10-K for the year ended September 30, 2000 and other factors described from time to time in the Company's filings with the Securities and Exchange Commission. Forward-looking statements reflect management's analysis as of the date of this document. The Company does not undertake to revise these statements to reflect subsequent developments.

## PART I

### Item 1. Business

#### The Company

Green Mountain Coffee, Inc. ("the Company" or "Green Mountain" or "Green Mountain Coffee") roasts over 25 high-quality arabica coffees to produce over 60 varieties of coffee which it sells through a coordinated multi-channel distribution network in its wholesale and direct mail operations. This distribution network is designed to maximize brand recognition and product availability. The Company is one of the leading specialty coffee companies in its established markets.

The majority of Green Mountain's revenue is derived from over 6,700 wholesale customer accounts located primarily in the northeastern 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 is a Delaware holding company formed in July 1993 whose only asset is the stock of Green Mountain Coffee Roasters, Inc. ("Roasters"), a Vermont corporation formed in 1981. As used herein, unless the context otherwise requires, references to "the Company" or "Green Mountain" or "Green Mountain Coffee" include the Company and Roasters.

The Company's fiscal year ends on the last Saturday in September. The Company's 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. As used herein, unless the context otherwise requires, references to "fiscal 1999" or "fiscal 1998" represent the 52-week periods ended September 25, 1999 and September 26, 1998, respectively. Fiscal 2000 represents the 53-week period ended September 30, 2000, with its fourth fiscal quarter consisting of 13 weeks instead of the usual 12.

The Company's corporate offices are located at 33 Coffee Lane, Waterbury, Vermont 05676. The Company's telephone number is (802) 244-5621, its fax number is (802) 244-5436, and its e-mail address for investor information is [investor.services@gmcr.com](mailto:investor.services@gmcr.com). The address of the Company's Internet Web site is [www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com).

#### The Product

Green Mountain is committed to providing the highest quality arabica coffees available from around the world. To achieve this goal, Green Mountain carefully selects its coffee beans and then "appropriate roasts(R)" the coffees to maximize their taste and flavor differences. The Company's coffee offerings include single-origin, estate, certified organic, Fair Trade, proprietary blends, and flavored coffees that it sells under the Green Mountain Coffee Roasters(R) brand.

The Company roasts its coffee in small batches to ensure consistency. Green Mountain varies both the degree of roast and the roasting profile (i.e., roast time and temperature) to maximize a particular coffee's taste characteristics. The Company utilizes state-of-the-art roasting software which enables it to more exactly duplicate specific roasts, ensuring Green Mountain's ability to offer consistent taste profiles.

Green Mountain's roasting process is designed to maximize the flavors inherent in the coffee itself, without letting the flavor of roasting overshadow a particular coffee's taste subtleties. The Company believes that its distinctive roasting methods enable it to provide the same coffees at different roasting degrees to maximize their flavors and thereby satisfy varying consumer preferences.

The Company uses convection air roasters, which it believes offer a higher degree of flexibility than other commercially available roasters. In addition, the Company has developed specific roasting programs for each bean type to establish a Green Mountain "signature" for that bean type, which the Company calls its "appropriate roast". The Company believes that this roasting process distinguishes it from other specialty coffee companies and has resulted in strong customer brand loyalty.

Green Mountain, unlike some of its competitors, also offers flavored coffees. The Company believes that flavoring its coffee during the production process, rather than providing flavor additives after brewing, provides its customers with taste consistency, convenience and economy.

The Company nitrogen flushes its packaged coffee and employs one-way valve bag packaging technology that provides a minimum shelf life of six months for the Company's coffees. This technology enables the Company to expand its distribution while maintaining its high standards for quality and freshness.

Green Mountain coffee comes in a variety of packages including whole beans, fractional packages, and one-cup Keurig(R) portions. The packaging equipment for Keurig K-Cup(TM) portion packs is owned by Keurig, Inc. and operated by Green Mountain Coffee. Green Mountain pays a royalty to Keurig, Inc. for each K-Cup sold.

#### Growth Strategy

Green Mountain Coffee is focused on building the brand and profitably growing its business. At present, management believes that it can continue to grow sales over the next few years at a rate similar to its historical five-year average growth rate (in the range of 18 to 25 percent), by increasing market share in existing markets, expanding into new geographic markets, and selectively pursuing other opportunities. At the same time, management is working at growing earnings faster than revenue. These statements are forward-looking, and subject to the risks and uncertainties outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the heading, "Forward-looking information," beginning on page 21.

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 education. Green Mountain has been benefiting from the overall market trend plus some carefully developed and distinctive advantages over its competitors.

Green Mountain coffee is available in many different distribution channels and customer categories in its 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, on airplanes and trains, at convenience stores on the way to work, at the office, in restaurants, in supermarkets, at the movie theatre, and at home again at the end of the day. The Company also has a special events vehicle that can be seen at ski races, festivals, customer locations, and other venues on the East Coast. The vehicle along with many other special event activities provide great sampling opportunities and visibility to the brand.

The Company believes that its coffee's convenient availability for consumer trial through convenience stores, office coffee services and food service establishments is a significant advantage and a key component of its growth strategy. The Company believes that potential customers who sample its products by the cup are likely to develop a taste for Green Mountain coffee and seek it out through other available distribution channels. It has been the Company's experience that consumer trial of Green Mountain coffee at one level of distribution often leads to a subsequent purchase at another level of distribution.

As brand awareness increases through trial by consumers of the Company's coffee by the cup, demand for whole bean sales of the Company's coffee for home consumption also increases. The National Coffee Association of USA, Inc., in its National Coffee Drinking Trends through 2000 study, states that "over 75% of coffee drinkers drink coffee at home." As brand equity is built, wholesale expansion typically continues through customers such as supermarkets and specialty food stores, who in turn, sell the Company's whole bean coffee to consumers. This expansion process capitalizes upon this cup/whole bean inter-relationship. The strategy is designed to further increase Green Mountain's market share in geographic areas in which it already operates in order to increase sales density and drive operational and brand-equity efficiencies.

In addition to its efforts to boost sales in its core geographic markets, the Company also seeks to introduce Green Mountain coffee in selected new markets across the United States, principally utilizing the Company's office coffee and convenience store channels. "Flagship" customers, such as General Cinema, Delta Express, Delta Shuttle and American Skiing Company, are also key to the Company's geographic expansion strategy, as they provide great visibility and sampling opportunities.

In the direct mail area, the Company focuses solicitations on catalog customers who buy regularly from the Company, bed-and-breakfasts and other small businesses, and from members of the Company's "Coffee Club", a continuity program with customized standing orders for automatic re-shipment. Recently, a large portion of the Company's efforts in the direct mail segment have been directed towards increasing traffic on its Web site ([www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com)), which is intended to build brand awareness nationwide and boost direct sales to consumers in the Company's less mature geographic markets.

### **Recent Developments**

**NEW PRODUCTS.** The Company's partnership with Keurig, Inc. continued to develop into an important growth driver in fiscal 2000, as the unique Keurig one-cup brewing system gained significant momentum in the marketplace. Sales of K-Cups made up 15.7% of total company sales in fiscal 2000. The success with the Keurig system also helped Green Mountain develop relationships with a number of office coffee distributors, providing it an opportunity to also sell its traditional line of products through these distributors (primarily pre-ground fractional coffee). In fiscal 2000, coffee pounds sold to distributors through the office coffee service channel grew 63.4% over the previous year and Keurig coffee pounds accounted for 76.4% of that growth. In June of 2000, the Company signed a 10-year manufacturing and distribution agreement with Keurig, Inc.

In November 2000, Green Mountain added two new coffees (Organic House Blend(TM) and Southern Pecan) to its existing offering of 12 K-Cup coffees and introduced its new Connoisseur line of Keurig K-Cups, which it expects will reinforce its position as the premium provider of K-Cup portion packs. The Connoisseur collection is made of 5 coffee varieties: Lake & Lodge(TM), Kenyan AA, Organic Sumatran Reserve (TM), Guatemalan Finca Dos Marias, and, soon to be available, La Esperanza(TM). The Company intends to continue expanding its K-Cup and fractional package business nationwide through its office coffee products distributors in fiscal 2001.

In September 1999, the Company introduced a new line of frozen granita and hot cappuccino beverages, two high-growth areas of the specialty beverage market. These products, which are marketed under the Monte Verde(TM) brand, complement the traditional line of specialty coffees and make Green Mountain a full-service provider to certain channels, such as convenience stores. In fiscal 2000, sales of Monte Verde products made up 1.5 % of total company sales.

In May of 2000, Green Mountain Coffee Roasters signed an agreement with TransFair USA to promote Fair Trade coffee. Under the

agreement, Green Mountain Coffee Roasters has agreed to purchase coffee at a minimum floor price under internationally accepted Fair Trade terms from the small farmer cooperatives in Peru, Mexico, and Sumatra where the Company has long-standing relationships. Coffee certified by TransFair USA provides an audit trail from the farm to the cup, which insures that small-scale farmers are paid a Fair Trade price for their coffee that provides them with a living wage. All of the Company's regular certified organic coffees have been certified Fair Trade.

**CUSTOMERS.** In addition to the previously described strong gains in the office coffee channel, the Company continued to focus on other key channels of its wholesale business in fiscal 2000 and built stronger relationships with its major customers.

Growth in the convenience store channel was very strong, with pounds sold up 21.7% year-over-year. Exxon Mobil Corporation ("ExxonMobil") convenience stores continue to be Green Mountain's largest customer in the convenience store channel, with over 1,200 locations at September 30, 2000, including over 480 corporate-owned stores. In November 2000, the Company announced that it had signed a new five-year exclusive agreement to provide Green Mountain coffee to all corporate-owned ExxonMobil convenience stores (over 900 stores, including the 480 existing locations) in the United States including On the Run(R), Mobil Mart(R), Exxon Shop(R), Tiger Mart(SM), Tiger Express(SM), and Tigermarket(SM) locations. In addition, Green Mountain coffee is now the recommended coffee for all ExxonMobil dealer and franchise operators. ExxonMobil reports a total of 13,680 retail facilities in the United States. It also has projected new corporate-owned and dealer-owned On the Run stores that fall under the agreement in excess of 600 locations by the end of 2002.

Under this new agreement, the Company will unbundle its pricing so that ExxonMobil pays a lower price for purchases of Green Mountain coffee and in turn, they will use a third party distributor to deliver the coffee to their convenience stores thereby reducing Green Mountain's delivery cost. ExxonMobil will pay for all services provided by the Company such as equipment maintenance and training on a fee-for-service basis.

As this new five-year agreement is implemented, Green Mountain Coffee Roasters will expand its geographic distribution to new markets. Under the terms of the agreement, the coffee will be made available in the coming months to an additional 500 corporate-owned units in the Mid-Atlantic States and in markets including Memphis, Nashville, San Antonio, Dallas, Houston, and additional locations in Florida and California.

The supermarket channel continued to show healthy year-over-year pounds sold growth of 7.4% in fiscal 2000. Green Mountain coffee can now be purchased at over 760 supermarket locations, up approximately 200 from last year. The addition of Kash n'Karry, a chain of supermarkets located in Central Florida, accounted for 135 of those new locations. Among existing supermarket customers, the increase in coffee pounds sold was especially strong at Stop & Shop Supermarkets, a supermarket chain in the Northeast, which started to sell Green Mountain coffee in another 46 former Edwards stores in fiscal 2000.

Coffee pounds sold in fiscal 2000 and fiscal 1999, broken down by sales channel, are as follows:

Sales Channel	53 wks ended 9/30/00	52 wks ended 9/25/99	Full Year Y/Y lb. Increase	Full Year % Y/Y lb. Increase
Convenience Stores.....	26.8%	26.6%	520,000	21.7%
Supermarkets.....	24.9%	28.0%	186,000	7.4%
Office Coffee Service Distributors.....	23.8%	17.6%	1,003,000	63.4%
Restaurants.....	11.2%	13.3%	20,000	1.7%
Other Food Service.....	8.1%	8.7%	95,000	12.1%
Other Retail.....	2.2%	2.6%	8,000	3.4%
Direct Mail, including Internet Sales..	3.0%	3.2%	35,000	12.1%
Totals	10,871,000	9,004,000	1,867,000	20.7%

### **Corporate Objective and Philosophy**

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

**HIGH QUALITY COFFEE.** Green Mountain buys some of the highest quality arabica beans available from the world's coffee-producing regions and uses a roasting process that maximizes each coffee's individual taste and aroma. Green Mountain has a passion for coffee and believes that its coffees are among the highest quality coffees sold in the world.

**CUSTOMER SERVICE.** Green Mountain seeks to create customers for life. The Company believes that coffee is a convenience purchase and utilizes its multi-channel distribution network to make its coffee widely and easily available to consumers for home or away-from-home consumption.

To ensure a high level of customer contact, the Company has established regional distribution centers to supply coffee to its wholesale customers and from which customer service calls are dispatched. Green Mountain has also established relationships with some of its vendors to drop ship items directly from the vendor to the customer, thereby significantly decreasing shipping times and costs.

The Company has an on-line inventory system for its central and regional distribution centers which helps to better serve the Company's customers and to improve the Company's direct-store-delivery process and capability. Green Mountain attempts to maintain at all times adequate levels of inventory to satisfy customer demand. At September 30, 2000, the Company had \$2,557,000 of raw materials and supplies inventory, as well as \$2,793,000 worth of finished goods inventory.

The Company's online ordering application on its Web site ([www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com)) is fully integrated with the Company's PeopleSoft(R) Enterprise Resource Planning ("ERP") system and customers receive instantaneous, electronic shipping confirmations for all online orders.

**CUSTOMER COFFEE EDUCATION.** The Company educates its wholesale customers and employees and vendor partners about the origin and preparation of coffee through a course comprised of a series of on-site training programs, tours, manuals, and hands-on learning experiences known as "Coffee College." This intensive training covers growing and harvesting; coffee tasting and cupping; grinding, filtering, and brewing; roasting and packaging; and preparing coffee beverages. Over 1,200 of the employees of Green Mountain's customers attended Coffee College in fiscal 2000, primarily at the Company's Java University located in Waterbury, Vermont. Since 1997, Green Mountain Coffee also has been hosting Specialty Coffee Association of America ("SCAA") Espresso Lab training sessions for consumers and employees of other coffee companies.

The Company's direct mail catalog and Web site provide an overview of the differences between the various coffees from around the world and the various degrees of roast. The Company believes that educational initiatives such as these help to create advocates for its coffee and thereby engender a loyal consumer base.

**EMPLOYEE DEVELOPMENT.** Green Mountain Coffee seeks to be a destination workplace for its employees. The Company believes that dedication to employee training and development is vital to attracting and retaining the most highly performing, qualified, and motivated employees. The Company offers numerous educational workshops, professional seminars, a leadership development program, a series of coffee knowledge classes and many other personal and professional development opportunities including Franklin-Covey time management, Dale Carnegie, and personal financial planning just to name a few. The staff development plan provides employees the motivation and ability to

offer Green Mountain customers the very best quality in service, fostering long-term relationships. In addition, in fiscal 2000, Green Mountain adopted the Appreciative Inquiry method of business analysis, which incorporates a highly positive, inclusive and people-centered way of considering business development. The Company also offers an Educational Assistance Plan providing financial support to employees seeking to improve their skills through continuing education.

**SOCIALLY RESPONSIBLE BUSINESS PRACTICES.** Green Mountain is committed to conducting its business in a socially responsible manner. The Company believes that doing well financially can go hand in hand with giving back to the community and protecting the environment. In fiscal 2000, the Company contributed over 5% of its pre-tax income to various coffee farms, cooperatives and non-profit organizations in the U.S. and in coffee-producing countries, in the form of cash, products and paid employee time. Domestically based organizations benefiting from cash or coffee product donations in 2000 included Conservation International, Rainforest Alliance, Coffee Kids (TM), and the United Way, as well as libraries, religious organizations, schools, counseling centers and soup kitchens in markets where the Company operates. In addition to cash and product donations, the Company encourages its employees to perform volunteer work for non-profit and community-based organizations on company time for up to 2.5% of their total hours worked at the Company. In fiscal 2000, 99 employees were reimbursed by the Company for a total of 1,529 hours of volunteer community service time. Another 717 hours of unpaid community service were reported.

The Company is committed to improving the quality of life in coffee-producing countries, and therefore supports projects that foster self-sufficiency, which it believes yield the best results. For example, since January of 1998, Green Mountain has been sponsoring a very successful Coffee Kids micro-lending program in Huatusco, Mexico, to encourage the development of small family businesses. The program now has over 600 participants. The Company has also provided funding for computers and libraries in communities where its Stewardship(R) coffees are produced.

In the Oaxaca region of Mexico, where the Company's Organic Mexican Select(TM) coffee is grown, the Company funds a variety of projects, including a Coffee Kids micro-lending project and a women's health care project for the early detection of cervical cancer. In addition, the Company provides financial assistance to the FomCafe S.C. cooperative's quality control training program which helps farmers earn more for their coffee.

In the Aceh region of Indonesia, Green Mountain provided seed funding to Gayo Organic Coffee Farmer's Association ("GOCFA"), which now produces the Company's Organic Sumatran Reserve(TM) coffee. That project was started in partnership with ForesTrade, a Vermont-based supplier of organic oils and spices. In addition to local quality of life improvements, these programs help insure that a stable supply of quality organic coffees will be available to Green Mountain Coffee to satisfy growing consumer demand.

In May of 2000, Green Mountain Coffee Roasters signed an agreement with TransFair USA to promote Fair Trade coffee. Under the agreement, Green Mountain Coffee Roasters has agreed to purchase coffee at a minimum floor price under internationally accepted Fair Trade terms from the small farmer cooperatives in Peru, Mexico, and Sumatra where the Company has long-standing relationships. Coffee certified by TransFair USA provides an audit trail from the farm to the cup, which insures that small-scale farmers are paid a Fair Trade price for their coffee that provides them with a living wage. All of the Company's regular certified organic coffees have been certified Fair Trade. Much of the Company's Stewardship coffees are purchased at prices well above this minimum floor price, even though they are not certified Fair Trade.

Green Mountain is committed to being environmentally and socially responsible in all aspects of its business operations. Consistent with this commitment, the Company has created and supported a variety of innovative environmental programs and incentives.

Green Mountain encourages sustainable farming practices through its Stewardship Program. Stewardship coffees are purchased from farms and cooperatives where herbicide and pesticide use is limited and soil erosion controls are in place. Additionally, these farms demonstrate higher standards of support for their workers by providing housing, medical assistance, and an interest in the welfare of the individual worker. As a continuation and expansion of the Stewardship Program, Green Mountain offers consumers a choice of organic coffees, starting with one farm-direct coffee from Peru in 1997 and growing into a line of seven organic coffees by the end of fiscal 2000. The Company's roasting and packaging facility is certified as organic by Quality Assurance International of San Diego, California.

Since 1990, Green Mountain has sold, under the licensed name Earth-Friendly Coffee Filters(TM), a line of dioxin-free and chlorine-free paper coffee filters, helping to raise consumer awareness of chlorine-free processing. In another innovative approach to product design, in 1997, the Company won the 3M Scotchban(R) Innovation Award for the development of a biodegradable coffee bag used by wholesale customers who bag Green Mountain bulk coffees on their premises.

The Company's most recent new initiative, to reduce its use of non-renewable energy sources and the impact on the environment, is the installation of a 95-kilowatt cogeneration unit in its roasting facility that started operating in December 1999. The unit is designed to capture heat from the power generating process to heat and power the Company's building, reducing its use of both propane and externally generated electricity. The unit is designed to help reduce the Company's operating expenses as a percent of sales over time. It has the added benefit of reducing the risk of fire, created by power outages, that can occur when the roasters, which operate at very high temperatures, suddenly lose power.

Through responsible operational practices, from purchasing to waste management, Green Mountain strives to minimize its environmental impact. The Company uses chemical-free, biodegradable, cornstarch-based foam peanuts and 100% recycled Kraft-style (Geoami) paper to protect products during shipping, as well as recycled content chip-board containers and reusable containers to store and ship coffee. In addition, Green Mountain makes every attempt to divert its manufacturing waste from landfills. For example, the burlap bags which contain green coffee

beans are recycled or donated for use in gardens and crafts, and pallets used in the production and distribution centers are routinely repaired and re-used. The Company also has an on-site recycling program which significantly reduces its landfill refuse volume and is available to employees for their personal use.

Compliance with federal, state and local environmental laws and regulations does not materially impact capital expenditures, earnings or the competitive position of the Company.

### **Wholesale Operations**

During fiscal 2000, 1999, and 1998, approximately 95%, 95%, and 94%, respectively, of Green Mountain's sales from continuing operations were derived from its wholesale operation which services accounts located primarily in the northeastern United States. 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. Unlike most of its competitors, Green Mountain's wholesale operation services a large variety of establishments, from individual upscale restaurants to major supermarket chains. This strategy enables a deeper penetration in a given geographic market, exposing consumers to the brand throughout the day in a variety of contexts. This strategy also has the advantage of limiting the dependency of the Company on a single distribution channel.

Notable accounts include:

#### CONVENIENCE STORES

-----  
ExxonMobil convenience stores  
Unimarts  
RL Vallee Inc. dba Maplefields  
Mirabito Fuel Group dba Quickway

#### RESTAURANTS

-----  
Aureole Restaurant, NYC  
Culinary Institute of America  
New England Culinary Institute  
The Harvard Club, NYC

#### SUPERMARKETS

-----  
Hannaford Bros. - 132 stores  
Kash `n Karry - 135 stores  
Price Chopper - 27 stores  
Roche Brothers - 13 stores  
Stop & Shop - 231 stores  
(primarily coffee by the cup)  
Shaw's - 107 stores

#### OFFICE COFFEE SERVICES

-----  
Bostonbean Coffee Company  
Coffee Pause Company  
Corporate Coffee Systems  
Crystal Rock Water/Vermont Pure  
Springs Company  
Perrier's Poland Springs  
Springtime  
U.S. Coffee

#### OTHER FOOD SERVICE

-----  
Amtrak - Northeast corridor  
American Skiing Company  
Delta Express and Delta Shuttle  
Columbia University  
New Jersey State Aquarium  
Stowe Mountain Resort

Wholesale operations are coordinated from the Company's headquarters in Waterbury, Vermont and supplemented by regional distribution centers in geographies in which the density of customer accounts so warrants. Regional distribution centers are located in Biddeford, Maine; Latham, New York; Woburn, Massachusetts; Southington, Connecticut; and Lakeland, Florida. Distribution facilities are located within a two-hour radius of most customers to expedite delivery. The Company uses third party carriers such as Federal Express and the United States Postal Service for shipping to customers not supported by a regional distribution center.

The wholesale operation primarily uses in-house sales people. However, in certain sales channels, such as the office coffee service and food service sectors, the Company utilizes the services of independent distributors who purchase coffee from the Company for resale to wholesale customers. The Company believes that the use of such distributors provides access to certain wholesale customers whose size or geographic location makes it economically inefficient for the Company to service directly.

The Company 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 the Company's internal or contracted service personnel. A customer also is assigned a service technician who services, repairs and provides preventive maintenance and emergency service on such equipment. Additionally, for supermarket customers, Green Mountain employs a team of stockers who ensure that supermarket displays are clean, appropriately stocked, and have promotional items to maximize sales. Most competitors of Green Mountain in the wholesale segment do not provide such high levels of sales and equipment service support.

The wholesale operation has 34 area sales managers and regional sales managers assigned to geographic territories, reporting to a national sales manager. The wholesale area sales territories are concentrated in the eastern United States, with an additional presence in Illinois, Michigan and Arizona. In addition to geographic sales personnel, the Company has a national supermarket sales manager, a national office coffee service sales manager, a national convenience store sales manager, a national food service manager, and an international sales and flagship accounts manager, along with account executives for major customers, to help provide more focused customer support and service.

Wholesale coffee pounds by geographic region (as a percentage of total wholesale coffee pounds sold) are as follows:

Region	53 wks ended 9/30/00	52 wks ended 9/25/99	Full Year Y/Y lb. Increase	Full Year % Y/Y lb. Increase
Northern New England (ME, NH & VT)...	33.2%	36.4%	338,000	10.7%
Southern New England (MA, CT & RI)....	24.5%	24.2%	478,000	22.7%
Mid-Atlantic (NY, NJ & PA).....	21.8%	20.8%	488,000	27.0%
South Atlantic.....	6.9%	5.3%	257,000	55.2%
Midwest.....	2.5%	1.9%	101,000	60.5%
South Central & West.....	2.1%	1.4%	102,000	81.6%
Multi-Regional.....	7.9%	9.2%	29,000	3.6%
International.....	1.1%	0.8%	39,000	54.2%
Totals.....	10,546,000	8,714,000	1,832,000	21.0%

### **Direct Mail Operations**

The Company publishes catalogs and maintains an Internet Web site to market over 60 coffees, coffee-related equipment and accessories, as well as gift assortments and gourmet food items covering a wide range of price points. Sales from direct mail accounted for approximately 5%, 5%, and 6% of total sales from continuing operations in fiscal 2000, 1999, and 1998, respectively. Green Mountain's telemarketing service representatives fulfill the individual coffee needs of direct mail customers by not only taking orders, but also educating and consulting with them about the various attributes of different coffee varieties.

In fiscal 2000, approximately 32% of the Company's direct mail revenue was derived from over 4,700 members of its "Coffee Club", a continuity program with customized standing orders for re-shipment. In the same period, catalog sales from non-Coffee Club individual consumers accounted for approximately 38% of direct mail revenue, and another 2% were derived from the Company's Corporate Gifting program.

In addition to its direct mail program targeted at the individual consumer, Green Mountain also uses its direct mail channel to cater to small businesses, such as bed and breakfast establishments, small retail stores and offices. These "business to business" sales contributed approximately 14% of total direct mail revenues in fiscal 2000.

The Green Mountain Web site ([www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com)) generated 14% of total direct mail revenue in fiscal 2000, up from 4% in fiscal 1999. The Company's Web site, which runs on PeopleSoft eStore software, allows Green Mountain Coffee to leverage the Internet, phone, e-mail and mail to provide the best possible customer fulfillment and service.

### **Green Coffee Cost and Supply**

The Company utilizes a combination of outside brokers and direct relationships with farms, estates, cooperatives and cooperative groups for its supply of green coffees, with outside brokers providing the larger amount. 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 sought by the Company 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 largely 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. Furthermore, the Company believes that the low coffee price ranges generally experienced during the early 1990s are not high enough to support proper farming and processing practices, impacting the overall supply of the top grade coffees. With the growth of the specialty coffee segment, it is important that prices remain high enough to support world consumption of the top grades of coffees.

The Company generally fixes the price of its coffee contracts two to six months prior to delivery so that it can adjust its sales prices to the market. Green Mountain believes this approach is the best way to provide its customers with a fair price for its coffee. The Company believes there is significant risk in fixing prices further in the future, since the true available supply of green coffee from around the world is not readily known. At September 30, 2000, the Company had approximately \$9.0 million (for 8.1 million pounds) in purchase commitments, of which approximately 60% had a fixed price. These commitments represent approximately 57% of the Company's estimated coffee requirements through September 29, 2001, the end of its 2001 fiscal year. In addition, the Company does from time to time purchase coffee futures contracts and coffee options to provide additional protection when it is not able to enter into coffee purchase commitments or when the price of a

significant portion of committed contracts has not been fixed.

The Company generally tries to pass on coffee price increases and decreases to its customers. Since coffee has come down from its 1997 highs, the Company has decreased its prices several times. In general, there can be no assurance that the Company 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 the Company to lower sales prices before realizing cost reductions in its green coffee inventory and purchase commitments. Green Mountain roasts over 25 different types of green coffee beans to produce its more than 60 different varieties of coffee. If one type of green coffee bean were to become unavailable or prohibitively expensive, management believes Green Mountain 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 the Company purchases could have an adverse impact on the Company.

Green Mountain purchased approximately 20% of its coffee from specifically identified farms, estates, cooperatives and cooperative groups in fiscal 2000, and expects to increase this amount to as much as 25% of its total coffee purchases in fiscal 2001. The Company believes its "farm direct" strategy will result in improved product quality, product differentiation, and long-term supply and pricing stability. In addition, the Company believes that its efforts will have a positive impact on the living and working environment of farm workers and their families.

### **Significant Customers**

Convenience stores owned and operated by ExxonMobil, rather than by franchisees, made up 7.2% of the Company's revenues in fiscal 2000. Sales to the extensive network of ExxonMobil convenience stores, whether owned by Exxon Mobil Corporation or by independent dealers and franchisees, accounted for approximately 17.0% of sales (including the 7.2% referenced above) from continuing operations in fiscal 2000, and is a key component of the Company's growth strategy as it provides sampling opportunities for a large number of potential new consumers throughout the country. As explained in the Recent Developments section above, the Company signed a new five-year agreement with Exxon Mobil Corporation in November 2000.

### **Competition**

The specialty coffee market is highly competitive, and Green Mountain competes against all sellers of specialty coffee. Starbucks, a leading independent specialty coffee retailer, is starting to have a significant presence in supermarkets nationwide. Starbucks has a distribution agreement with Phillip Morris/ Kraft Foods to place Starbucks coffee in supermarkets along with Maxwell House coffee. Additionally, the Company also competes with "commercial" coffee roasters, to the extent that it is also trying to "upsell" consumers to the specialty coffee segment. A number of large consumer goods multinationals have divisions or subsidiaries selling specialty coffees, a significant portion of them having been developed through the acquisition of independent brands. For example, Procter & Gamble distributes the premium coffee products Millstone and Brothers in many supermarkets nationwide, which compete with Green Mountain coffee.

In the office coffee, convenience store and food service arenas, General Foods, Sara Lee and Procter & Gamble are large competitors. In fiscal 2000, Keurig, Inc. signed agreements with three North American roasters other than Green Mountain to secure a variety of K-Cup coffee providers. Coffee in K-Cup portions can now be purchased from Diedrich Coffee, Procter & Gamble, and Timothy's. At this time, Green Mountain continues to enjoy the dominant position in the K-Cup market. The Company does not expect Keurig to add any additional roasters in calendar 2001. In the direct mail area, the Company competes with established suppliers such as Gevalia, a division of General Foods Corporation, as well as with other direct mail companies.

The Company expects intense competition, both within its primary geographic territory, the eastern United States, and in other regions of the United States, as it expands from its 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.

The Company competes primarily by providing high quality coffee, easy access to its products and superior customer service. The Company believes that its ability to provide a convenient network of outlets from which to purchase coffee is an important factor in its ability to compete. Through its multi-channel distribution network of wholesale and direct mail operations and its dual cup/whole bean strategy, the Company believes it differentiates itself from many of its larger competitors, who specialize in only one of the wholesale, retail and direct mail channels of distribution. The Company also believes that one of the distinctive features of its business is that it is one of the few coffee companies that roasts its coffees individually, varying both the degree and timing of the roast to maximize a coffee's particular taste characteristics. Finally, the Company believes that being an independent roaster allows it to be better focused and in tune with its wholesale customers' needs than its larger, diversified competitors. While the Company believes it currently competes favorably with respect to these factors, there can be no assurance that it will be able to compete successfully in the future.

### **Seasonality**

Historically, the Company has experienced variations in sales from quarter-to-quarter due to the peak November-December Holiday Season and a variety of other factors, including, but not limited to, general economic trends, the cost of green coffee, competition, marketing programs, weather and special or unusual events.

### **Intellectual Property**

The Company is the owner of certain trademarks and service marks and the United States trademark and service mark registrations thereon, including Green Mountain Coffee(R), Green Mountain Filters(R), Green Mountain Coffee Roasters(R), Nantucket Blend(R), Rainforest Nut (R), Stewardship(R), Green Mountain Coffee Roasters and Design (R), Stewardship Coffee and Design(R), Vermont Country Blend(R), Cafe Vermont(R), Mocha Almond Chiller(R), You're Following the Leader(R), Tapestry Blend Dark(R), Appropriate Roast(R), Autumn Harvest Blend(R), Fresh From the Roaster(R). The Company anticipates maintaining the United States registrations appearing above with the United States Trademark Office. The Company is also the owner of other trademarks and service marks, including Lake & Lodge(TM), Organic Sumatran Reserve(TM), La Esperanza(TM), Monte Verde(TM), Sip and Relax, You're on Green Mountain Time(TM), It's a Jungle Out There... Let's Keep It That Way(TM), Farm Direct(TM), and The Ultimate Office Coffee(TM).

The Company has applied for United States registration of certain of the marks appearing above. In addition, the Company has registered the mark "Green Mountain Coffee Roasters" in the United Kingdom. The Company has pending Canadian applications for registration of the marks "Green Mountain Coffee" and "Green Mountain Coffee Roasters." The Company has a pending European Union application for registration of the mark "Green Mountain Coffee Roasters," and pending Brazilian applications for registration of the marks "Green Mountain Coffee Roasters and Design," and "Green Mountain Coffee." The Company has a limited, royalty-free license to reproduce a painting by artist Corliss Blakely on its labels and marketing materials.

The Company has an irrevocable, perpetual royalty-free license to use the mark "Earth-Friendly Coffee Filters" in connection with coffee filters. The Company also has a limited license to use the marks "Kona Mountain Coffee" and "Kona Mountain Estate" in connection with its Kona coffee worldwide (excluding Hawaii), all subject to the terms of the agreements under which these licenses are granted. The Company does not hold any patents. The Company believes these trademarks, service marks and licenses will continue to be important to its success.

### **Employees**

As of September 30, 2000, the Company had 394 full-time employees and 50 part-time employees. The Company supplements its 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. The Company believes that it maintains good relations with its employees.

## Item 2. Properties

The Company leases one principal manufacturing, warehousing and distribution facility located at Pilgrim Park in Waterbury, Vermont. The facility has in total approximately 90,000 square feet of usable space which includes a 30,000 square foot mezzanine area. The lease on this building expires in 2007. The Company's other facilities, all of which are leased, are as follows:

Type	Location	Square Feet	Approximate Expiration of Lease
Warehouse/ Distribution/ Service Space	Woburn, MA	10,580	2001
	Southington, CT	11,200	2001
	Waterbury, VT	12,000	2003
	Waterbury, VT	3,000	month-to-month
	Waterbury, VT (Factory Outlet)	1,100	month-to-month
	Biddeford, ME	10,000	2001
	Latham, NY	7,500	2002
Administrative Offices	Lakeland, FL	7,200	2003
	Coffee Lane, Waterbury, VT	4,000	2001
	Main Street, Waterbury, VT	8,680	2001
	Pilgrim Park II, Waterbury, VT	3,000	month-to-month
Company-Owned Retail Stores (Discontinued Operations)	Pilgrim Park II, Waterbury, VT	8,000	2001
	Latham, NY(1)	2,300	2007
	Portland, ME(1)	2,300	2002
	So. Portland, ME(1)	1,270	2007

(1) The Company has this entire space subleased as of December 1, 2000.

The Company believes that its facilities are generally adequate for its current needs and that suitable additional production and administrative space will be available as needed for the remainder of fiscal 2001.

## Item 3. Legal Proceedings

The Company is not currently party to any material pending legal proceeding.

## 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 30, 2000.

## Executive Officers of the Registrant

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

Name	Age	Position	Executive Officer Since
Robert P. Stiller	57	Chairman of the Board, President and Chief Executive Officer	1993
Robert D. Britt	45	Director, Chief Financial Officer, Vice President, Treasurer and Secretary	1993
Paul Comey	50	Vice President	1993
Agnes M. Cook	54	Vice President	1999
Kevin G. McBride	45	Vice President	1999
James K. Prevo	47	Vice President	1997
Stephen J. Sabol	39	Director and Vice President	1993
Jonathan C. Wettstein	52	Director and Vice President	1993

ROBERT P. STILLER, founder of Roasters, has served as its President and a director 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.

ROBERT D. BRITT has served as Chief Financial Officer of Roasters since May 1993. Prior to May 1993, Mr. Britt held financial, managerial and/or consulting positions at Engineered Coatings, Inc., FCR, Inc., Ernst & Young, CIGNA Corporation, and KPMG Peat Marwick. Mr. Britt is a Certified Public Accountant and holds a Master of Business Administration from the Wharton School at the University of Pennsylvania.

PAUL COMEY has served as Vice President of Facilities and Process Engineering of Roasters since June 1993. From March 1986 to May 1993, Mr. Comey was the owner and principal consultant of Baseline Solutions, a company engaged in providing consulting services to the coffee industry, including the Company.

AGNES M. COOK has served as Vice President of Human Resources of Roasters since May 1999. From November 1992 to May 1999, Ms. Cook was Roasters' Director of Human Resources. Prior to her employment with the Company, Ms. Cook was a Training Consultant for Dale Carnegie and Associates.

KEVIN G. MCBRIDE has served as Vice President of Marketing for Roasters since August 1999. Prior to this, from March 1998 until May 1999, Mr. McBride was President of BGC Acquisition Corporation, a private investment company. From January 1997 until December 1997, he was employed by Sunbeam Corporation as Vice President of Marketing and Product Development. From January 1994 until June 1996, Mr. McBride was Vice President of Consumer Marketing of Circle K Stores, Incorporated.

JAMES K. PREVO has served as Chief Information Officer of Roasters since March 1993. Mr. Prevo worked for Digital Equipment Corporation from November 1979 through March 1993. There he held positions as a Software Engineer, Project Manager (New Product Introduction), Program Manager (Computer Products Manufacturing and VAXcluster Systems Engineering) and Business Manager (Systems Integration Services). On May 1, 2000 ComputerWorld magazine recognized Mr. Prevo as one of the Premier 100 IT Leaders for the year 2000.

STEPHEN J. SABOL has served as Vice President of Sales of Roasters since September 1996. Mr. Sabol served as Vice President of Branded Sales of Roasters from August 1992 to September 1996. From September 1986 to August 1992, Mr. Sabol was the General Manager of Roasters responsible for overall performance of the wholesale division in Maine and New Hampshire.

JONATHAN C. WETTSTEIN has served as Vice President of Operations of Roasters since April 1993. From June 1974 to April 1993, Mr. Wettstein was employed by Digital Equipment Corporation in a variety of positions including Plant Manager, Marketing Manager, Business and Materials Manager and Product Line Controller. Mr. Wettstein holds a Master of Business Administration from the Harvard Business School.

Officers are elected annually and serve at the discretion of the Board of Directors. None of the Company's directors or officers has any family relationship with any other director or officer, except for Robert P. Stiller and one of the Company's outside directors, Jules A. del Vecchio, whose wives are sisters.

## PART II

### Item 5. Market for the Registrant's Common Equity and Related Stockholder

#### Matters

(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 sales prices as reported by NASDAQ for the periods indicated.

		High	Low
		-----	-----
Fiscal 1999	16 weeks ended January 16, 1999.....	\$ 6.375	\$ 3.875
	12 weeks ended April 10, 1999.....	\$ 7.625	\$ 5.875
	12 weeks ended July 3, 1999.....	\$ 8.125	\$ 5.875
	12 weeks ended September 25, 1999.....	\$ 8.375	\$ 6.469
Fiscal 2000	16 weeks ended January 15, 2000.....	\$ 9.500	\$ 7.000
	12 weeks ended April 8, 2000.....	\$ 15.375	\$ 9.250
	12 weeks ended July 1, 2000.....	\$ 20.000	\$ 14.375
	13 weeks ended September 30, 2000.....	\$ 19.125	\$ 12.875
Fiscal 2001	October 1, 2000 to November 30, 2000.....	\$ 42.250	\$ 18.875

(b) Number of Equity Security Holders As of November 30, 2000, the number of record holders of the Company's common stock was 579.

(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.

On December 4, 2000, the Company announced that its Board of Directors had approved a two-for-one Common Stock split effected in the form of a 100% Common Stock dividend. The record date of the dividend is December 28, 2000, and the payment date is January 11, 2001. The stock split is intended to benefit stockholders by placing more shares in the market, thus helping to increase trading activity and further improve the stock's liquidity.

## Item 6. Selected Financial Data

	Fiscal Years Ended				
	Sept. 30, 2000(1)	Sept. 25, 1999	Sept. 26, 1998	Sept. 27, 1997	Sept. 28, 1996
Coffee pounds sold(2).....	10,871	9,004	7,739	6,239	5,108
Net sales from continuing operations(2)..	\$ 84,001	\$ 64,881	\$ 55,825	\$ 42,908	\$ 33,377
Income from continuing operations(2)..	\$ 4,153	\$ 2,247	\$ 340	\$ 1,539	\$ 1,429
Income per share from continuing operations - diluted(2).....	\$ 1.19	\$ 0.64	\$ 0.10	\$ 0.44	\$ 0.42
Total Assets.....	\$ 27,174	\$ 23,878	\$ 24,563	\$ 23,544	\$ 17,243
Long-term obligations.....	\$ 8,783	\$ 4,964	\$ 10,191	\$ 5,965	\$ 3,563

(1) The fiscal year ended September 30, 2000 is a 53-week year. All other fiscal years represented are 52-week years.

(2) Excludes results of the Company's discontinued company-owned retail stores operation.

There were no cash dividends paid during the past five fiscal years.

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

### Forward-looking information

Certain statements contained herein are not based on historical fact and are "forward-looking statements" within the meaning of the applicable securities laws and regulations. In addition, the Company's representatives may from time to time make oral forward-looking statements. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statements that do not directly relate to any historical or current fact. Words such as "anticipates", "believes", "expects", "will", "feels", "estimates", "intends", "plans", "projects", and similar expressions, may identify such forward-looking statements. Owing to the uncertainties inherent in forward-looking statements, 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, business conditions in the coffee industry and food industry in general, fluctuations in availability and cost of green coffee, the impact of the loss of a major customer, economic conditions, prevailing interest rates, the management challenges of rapid growth, variances from budgeted sales mix and growth rate, consumer acceptance of the Company's new products, the impact of a tighter job market, weather and special or unusual events, as well as other risk factors described in Item 1 of this report and other factors described from time to time in the Company's filings with the Securities and Exchange Commission. Forward-looking statements reflect management's analysis as of the date of this document. The Company does not undertake to revise these statements to reflect subsequent developments.

## **Overview**

Green Mountain Coffee, Inc., a leader in the specialty coffee industry, roasts high quality arabica coffees to produce over 60 varieties of coffee that it sells under the Green Mountain Coffee Roasters(R) brand. For the year ended September 30, 2000, Green Mountain's wholesale operation contributed 95.1% of its net sales from continuing operations. Green Mountain's wholesale operation sells coffee to retailers and food service concerns including supermarkets, restaurants, convenience stores, specialty food stores, office coffee distributors, and other food service providers such as hotels, universities and airlines. The Company also operates a direct mail operation serving customers nationwide from its Waterbury, Vermont headquarters, which accounted for 4.9% of net sales from continuing operations in fiscal 2000.

On May 29, 1998, Green Mountain announced that it had adopted a plan to discontinue its company-owned retail store operations. The Company had sold or closed all of its retail stores prior to the end of the Company's second fiscal quarter of 1999.

Cost of sales consists of the cost of raw materials including coffee beans, flavorings and packaging materials, a portion of the Company's rental expense, the salaries and related expenses of production and distribution personnel, depreciation on production equipment, freight and delivery expenses. Selling and operating expenses consist of expenses that directly support the sales of the Company's wholesale and direct mail channels, including media and advertising expenses, a portion of the Company's 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 Company's rental expense and the salaries and related expenses of personnel not elsewhere categorized.

The Company's fiscal year ends on the last Saturday in September. The Company's 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 2000 represents the 53 week-period ended September 30, 2000, with the fourth fiscal quarter of fiscal 2000 consisting of 13 weeks instead of the usual 12 weeks. Fiscal 1999 and fiscal 1998 represent the 52 week-periods ended September 25, 1999 and September 26, 1998, respectively.

## **Coffee Prices, Availability and General Risk Factors**

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. The Company 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 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 the past, the Company generally has been able to pass increases in green coffee costs to its customers. However, there can be no assurance that the Company will be successful in passing such fluctuations on to the customers without losses in sales volume or gross margin in the future. Similarly, rapid sharp decreases in the cost of green coffee could also force the Company to lower sales prices before realizing cost reductions in its green coffee inventory. Because Green Mountain roasts over 25 different types of green coffee beans to produce its more than 60 varieties of coffee, if one type of green coffee bean were to become unavailable or prohibitively expensive, management believes Green Mountain could substitute another type of coffee of equal or better quality, meeting a similar taste profile. However, frequent substitutions could lead to cost increases and fluctuations in gross margins. Furthermore, a worldwide supply shortage of the high-quality arabica coffees the Company purchases could have an adverse impact on the Company and its profitability.

The Company enters into fixed coffee purchase commitments in an attempt to secure an adequate supply of quality coffees. To further reduce its exposure to rising coffee costs, the Company, from time to time, enters into futures contracts and buys options to hedge price-to-be-established coffee purchase commitments. The specific risks associated with these activities are described below in Item 7A "Quantitative and Qualitative Disclosures about Market Risk."

The Company expects to face increasing competition in all its markets, as competitors improve the quality of their coffees to make them more comparable to Green Mountain's. In addition, specialty coffee is now more widely available and a number of competitors benefit from substantially larger promotional budgets following, among other factors, the acquisition of specialty coffee companies by large, consumer goods multinationals. The Company expects that the continued high quality and wide availability of its coffee across a large array of distribution channels, combined with the added-value of its customer service processes will enable Green Mountain to successfully compete in this environment, although there can be no assurance that it will be able to do so.

## Results from Operations

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

	Fiscal years ended		
	September 30, 2000	September 25, 1999	September 26, 1998
Net Sales:			
Wholesale.....	95.1 %	94.7 %	94.4 %
Direct mail.....	4.9 %	5.3 %	5.6 %
Net sales.....	100.0 %	100.0 %	100.0 %
Cost of sales.....	60.1 %	60.5 %	65.5 %
Gross profit.....	39.9 %	39.5 %	34.5 %
Selling and operating expenses.....	24.7 %	25.2 %	24.7 %
General and administrative expenses.....	7.0 %	7.2 %	7.5 %
Loss on abandonment of equipment.....	0.2 %	0.4 %	-
Operating income.....	8.0 %	6.7 %	2.3 %
Other income.....	0.1 %	0.0 %	0.1 %
Interest expense.....	(0.7)%	(1.1)%	(1.4)%
Income from continuing operations before income taxes.....	7.4 %	5.6 %	1.0 %
Income tax expense.....	(2.5)%	(2.1)%	(0.4)%
Income from continuing operations...	4.9 %	3.5 %	0.6 %
Discontinued operations:			
Loss from discontinued operations, net of tax benefits.....	-	-	(0.5)%
Income (loss) on disposal, net of tax benefits.....	0.1 %	0.3 %	(2.3)%
Net income (loss).....	5.0 %	3.8 %	(2.2)%

### Fiscal 2000 versus Fiscal 1999

Net sales from continuing operations increased by \$19,120,000, or 29.5%, from \$64,881,000 in fiscal 1999 to \$84,001,000 in fiscal 2000. Coffee pounds sold increased by approximately 1,867,000 pounds, or 20.7%, from 9,004,000 pounds in fiscal 1999 to 10,871,000 pounds in fiscal 2000. The percentage increase in net sales was higher than the percentage increase in coffee pounds, due to increased sales of convenience coffee products (such as the Keurig K-Cups) with higher sales prices per pound and increased sales of non-coffee items, such as the new Monte Verde line of frozen granita and hot cappuccino beverages. It is estimated that without the extra week in the 2000 fiscal year, the year-over-year increases in sales dollars and coffee pounds sold would have been 26.9% and 18.4%, respectively.

The year-over-year increase in net sales from continuing operations occurred primarily in the wholesale area in which net sales increased by \$18,437,000, or 30.0%, from \$61,418,000 in fiscal 1999 to \$79,855,000 in fiscal 2000. The wholesale net sales increase resulted primarily from sales growth in the office coffee service and convenience store channels. Direct mail sales increased \$683,000, or 19.7%, from \$3,463,000 in fiscal 1999 to \$4,146,000 in fiscal 2000.

Green Mountain's gross profit from continuing operations increased by \$7,916,000, or 30.9%, from \$25,620,000 in fiscal 1999 to \$33,536,000 in fiscal 2000. Gross profit as a percentage of net sales increased 0.4 percentage points from 39.5% in fiscal 1999 to 39.9% in fiscal 2000. Gross profit as a percentage of sales remained relatively unchanged as lower green coffee costs and improved distribution costs were partially offset by increased sales of items in product categories with lower gross margins, such as the single-cup Keurig line of coffees. Due to continued product sales mix changes and anticipated competitive pressures, full-year gross profit as a percentage of sales is expected to decrease in fiscal 2001.

Selling and operating expenses from continuing operations increased by \$4,366,000, or 26.7%, from \$16,381,000 in fiscal 1999 to \$20,747,000 in fiscal 2000, and decreased 0.5 percentage points as a percentage of net sales from 25.2% in fiscal 1999 to 24.7% in fiscal 2000. The dollar

increase was primarily caused by increased wholesale sales and sales support personnel expenditures (\$2,129,000) and advertising and promotional expenses (\$1,038,000).

General and administrative expenses from continuing operations increased by \$1,226,000, or 26.3%, from \$4,661,000 in fiscal 1999 to \$5,887,000 in fiscal 2000. As a percentage of net sales, this change represents a 0.2 percentage point decrease from 7.2% in fiscal 1999 to 7.0% in fiscal 2000. The dollar increase is primarily due to personnel expenses (including bonuses and a contribution to the new Employee Stock Ownership Plan), as well as educational and management consulting expenses.

In fiscal 2000, following a thorough review of its production fixed assets, the Company recorded a \$135,000 loss on abandonment of production equipment and software. In fiscal 1999, the Company recorded a \$229,000 loss on abandonment of loaner equipment, when the Company identified a small portion of its old equipment on loan to customers that would never be retrieved from customers sites and was in effect given away to customers.

For the reasons outlined above, operating income increased by \$2,418,000, or 55.6%, from \$4,349,000 in fiscal 1999 to \$6,767,000 in fiscal 2000. As a percentage of sales, operating income increased 1.3 percentage points from 6.7% in fiscal 1999 to 8.0% in fiscal 2000. It is anticipated that operating expenses as a percentage of sales will continue to decrease in fiscal 2001, as the Company continues to grow sales and leverage expenses.

Interest expense from continuing operations decreased \$153,000, or 20.8%, from \$736,000 in fiscal 1999 to \$583,000 in fiscal 2000 due to the reduction in the Company's average long-term debt made possible by strong cash flows from operations over the past two fiscal years. The Company expects interest expense in fiscal 2001 to be approximately 50% higher than in fiscal 2000 due to higher interest rates and, more importantly, higher average debt balances related to fiscal 2000 repurchases of its common stock described under "Liquidity and Capital Resources".

Income tax expense from continuing operations increased \$703,000, or 51.1%, from \$1,376,000 in fiscal 1999 to \$2,079,000 in fiscal 2000. The decrease in the Company's effective tax rate, from 38% for fiscal 1999 to 33% for fiscal 2000, is due to a reduction during the fourth quarter of fiscal 2000 of the deferred tax asset valuation allowance previously recorded on a manufacturer's investment tax credit from the State of Vermont. The reduction was based upon management's best estimate of future taxable income and that portion which is expected to be allocable to Vermont on which the credit could be applied. It is expected that the Company's effective tax rate in future periods will approximate 40%.

For the reasons outlined above, income from continuing operations increased \$1,906,000, or 84.8%, from \$2,247,000 in fiscal 1999 to \$4,153,000 in fiscal 2000.

During the third quarter of fiscal 1998, the Company recorded a loss of \$1,259,000 (net of a tax benefit of \$834,000) on disposal of its company-owned retail stores operation. During the second quarter of fiscal 1999, after having sold or closed all of its stores, the Company revised its estimated pre-tax loss on disposal and reversed \$300,000 (\$186,000 net of tax) of the original estimate, primarily due to larger than expected proceeds from the sale of fixed assets and lower lease termination costs. In the fourth quarter of fiscal 2000, the Company reduced its estimate by another \$100,000 (\$60,000 net of tax), due to lower than expected lease termination costs.

Net income increased \$1,780,000, or 73.2%, from \$2,433,000 in fiscal 1999 to \$4,213,000 in fiscal 2000. The net income earned during the 2000 fiscal year put the Company in a positive retained earnings position of \$2,778,000 at September 30, 2000, compared to an accumulated deficit of \$1,435,000 at September 25, 1999.

#### Fiscal 1999 versus Fiscal 1998

Net sales from continuing operations increased by \$9,056,000, or 16.2%, from \$55,825,000 in fiscal 1998 to \$64,881,000 in fiscal 1999. Coffee pounds sold increased by approximately 1,265,000 pounds, or 16.3%, from 7,739,000 pounds in fiscal 1998 to 9,004,000 pounds in fiscal 1999. The percentage increase in net sales and the percentage increase in coffee pounds sold were very similar, as the decrease in average selling prices of Green Mountain's coffee during fiscal 1999 was offset by increased sales of convenience coffee products with higher sales prices per pound.

The year-over-year increase in net sales from continuing operations occurred primarily in the wholesale area in which net sales increased by \$8,708,000, or 16.5%, from \$52,710,000 in fiscal 1998 to \$61,418,000 in fiscal 1999. The wholesale net sales increase resulted primarily from the growth of certain accounts in the office coffee service, supermarket and convenience store channels. Direct mail sales increased \$348,000, or 11.2%, from \$3,115,000 in fiscal 1998 to \$3,463,000 in fiscal 1999.

Green Mountain's gross profit from continuing operations increased by \$6,353,000, or 33.0%, from \$19,267,000 in fiscal 1998 to \$25,620,000 in fiscal 1999. Gross profit as a percentage of net sales increased 5.0 percentage points from 34.5% in fiscal 1998 to 39.5% in fiscal 1999. Expressed in dollars per coffee pound sold, gross profit increased 14.0% to \$2.85 in fiscal 1999 from \$2.50 in fiscal 1998. The increase of gross profit as a percentage of sales was primarily attributable to sharply lower green coffee costs, which was partially offset by decreases in average sales prices.

Selling and operating expenses from continuing operations increased by \$2,576,000, or 18.7%, from \$13,805,000 in fiscal 1998 to \$16,381,000

in fiscal 1999, and increased 0.5 percentage points as a percentage of net sales from 24.7% in fiscal 1998 to 25.2% in fiscal 1999. This increase was primarily caused by higher wholesale sales and sales support personnel expenditures (\$1,086,000) and advertising and promotional expenses (\$838,000).

General and administrative expenses from continuing operations increased by \$492,000, or 11.8%, from \$4,169,000 in fiscal 1998 to \$4,661,000 in fiscal 1999. As a percentage of net sales, this change represents a 0.3 percentage point decrease from 7.5% in fiscal 1998 to 7.2% in fiscal 1999. The dollar increase is primarily due to increased management consulting and personnel expenses.

For the reasons outlined above, operating income increased by \$3,056,000, or 236.4%, from \$1,293,000 in fiscal 1998 to \$4,349,000 in fiscal 1999. As a percentage of sales, operating income increased 4.4 percentage points from 2.3% in fiscal 1998 to 6.7% in fiscal 1999.

Interest expense from continuing operations decreased \$85,000, or 10.4%, from \$821,000 in fiscal 1998 to \$736,000 in fiscal 1999 due to the reduction in the Company's long-term debt made possible by strong cash flows from operations in fiscal 1999.

Income tax expense from continuing operations increased from \$198,000 in fiscal 1998 to \$1,376,000 in fiscal 1999. The increase in the Company's effective tax rate, to 38% for fiscal 1999 from 37% for fiscal 1998, is attributable to changes in certain permanent differences.

For the reasons outlined above, income from continuing operations increased \$1,907,000, or 560.9%, from \$340,000 in fiscal 1998 to \$2,247,000 in fiscal 1999.

During the third quarter of fiscal 1998, the Company recorded a loss of \$1,259,000 (net of a tax benefit of \$834,000) on disposal of its company-owned retail stores operation. During the second quarter of fiscal 1999, after having sold or closed all of its stores, the Company revised its estimated pre-tax loss on disposal and reversed \$300,000 (\$186,000 net of tax) of the original estimate, primarily due to larger than expected proceeds from the sale of fixed assets and lower lease termination costs.

Net income increased \$3,649,000 from a net loss of \$1,216,000 in fiscal 1998 to a net income of \$2,433,000 in fiscal 1999.

### **Liquidity and Capital Resources**

Working capital increased \$629,000 to \$6,681,000 at September 30, 2000 from \$6,052,000 at September 25, 1999. This increase is primarily due to higher accounts receivable and a decrease in the current portion of long-term debt, and was partially offset by higher accounts payable and accrued expenses.

Net cash provided by operating activities from continuing operations increased by \$832,000, or 12.6%, from \$6,587,000 in fiscal 1999 to \$7,419,000 in fiscal 2000. This increase is primarily due to the net income and accounts payable increases, and was offset by increases in accounts receivable due to high sales volumes near the end of the fiscal year. Cash flows from operations were partially used to fund capital expenditures in fiscal 2000.

During the 2000 fiscal year, the Company made capital expenditures of \$4,597,000, including \$2,025,000 for equipment on loan to wholesale customers; \$1,330,000 for computer equipment and software; \$766,000 for production and distribution equipment; \$331,000 for leasehold improvements and fixtures; and \$145,000 for vehicles.

In fiscal 1999, Green Mountain Coffee made capital expenditures related to continuing operations of \$2,655,000, which included \$1,605,000 for equipment on loan to customers; \$533,000 for leasehold improvements, production equipment and fixtures; \$389,000 for computer hardware and software; and \$128,000 for vehicles.

The Company currently plans to make capital expenditures in fiscal 2001 in the range of \$5,500,000 to \$6,000,000. The expected increase in capital expenditures over fiscal 2000 is due to the planned purchase of a new coffee roaster and the related green and roasted bean storage bin system, as well as a new fractional ground coffee packager. However, management continuously reviews capital expenditure needs and actual amounts expended may differ from these estimates.

In the 2000 fiscal year, the Company used \$1,852,000 of its cash flow from operations to repurchase 189,486 of its outstanding shares in the open market. In addition, on May 22, 2000, the Company concluded a Dutch Auction self-tender offer and accepted for purchase all 278,658 shares tendered at a purchase price of \$16 per share. The total cost of this self-tender offer amounted to approximately \$4,523,000, including \$64,000 of associated transaction costs. At September 30, 2000, the Company held 568,753 shares of treasury stock at an average per share cost of \$12.36.

To finance the cost of the Dutch Auction self-tender offer referenced above and other general corporate purposes, the Company amended its credit facility with Fleet Bank -NH ("Fleet") on April 7, 2000. The amendment provides for an expanded revolving line of credit of \$15,000,000, which matures on March 31, 2003 and is not subject to a borrowing base formula. The interest paid on the line of credit varies with the prime, LIBOR and Bankers Acceptance rates, plus a margin based on a performance price structure. On September 30, 2000, a total of \$8,500,000 was outstanding under the new line of credit and the average interest rate was 7.88%. The new facility is subject to certain quarterly covenants, and the Company was in compliance with these covenants at September 30, 2000.

Management believes that cash flow from operations, existing cash, and available borrowings under its credit facility will provide sufficient liquidity to pay all liabilities in the normal course of business, fund capital expenditures and service debt requirements for the next twelve months.

### **Factors Affecting Quarterly Performance**

Historically, the Company has 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, weather and special or unusual events. Because of the seasonality of the Company's business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year. Year-over-year quarterly earnings comparisons will also show significant variations due to the reduction in the allowance on the State of Vermont manufacturer's investment tax credit in the fourth quarter of fiscal 2000. Another factor that will impact historical comparisons is the fact that the fourth quarter of fiscal 2000 includes thirteen weeks instead of the usual twelve weeks.

## **Item 7A - Quantitative and Qualitative Disclosures about Market Risk**

Market risks relating to the Company's operations result primarily from changes in interest rates and commodity prices (the "C" price of coffee). To address these risks, the Company enters into hedging transactions as described below. The Company does not use financial instruments for trading purposes.

For purposes of specific risk analysis, the Company uses sensitivity analysis to determine the impacts that market risk exposures may have on the Company's financial position or earnings.

### Interest rate risks

At September 30, 2000, the Company had \$8,508,000 of debt subject to variable interest rates (Fleet Bank's prime rate, Banker's Acceptance or LIBOR rates) plus a margin based on a performance price structure. A 100 basis point increase in interest rates would increase annual interest expense by approximately \$85,000.

On May 29, 1998, the Company entered into a standard International Swap Dealers Association Inc. interest rate swap agreement with Fleet National Bank in order to limit the effect of increases in the interest rates on up to \$6 million of its floating debt. The effect of this agreement was to convert underlying variable-rate debt based on LIBOR to fixed rate debt with an interest rate of 5.84% plus a margin based on a performance price structure (between 175 and 200 basis points at September 25, 1999). At September 25, 1999, this agreement left the Company with no variable-rate debt and therefore no interest rate risk. During the first quarter of fiscal 2000, the Company received \$34,000 from Fleet National Bank for the termination of its interest rate swap agreement. This payment was netted against interest expense for the fiscal quarter. Due to the termination of this agreement, at September 30, 2000, the Company had \$8,508,000 of debt subject to variable interest rates as described above.

### Commodity price risks

Green coffee 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. The Company's gross profit margins can be significantly impacted by changes in the price of green coffee. The Company enters 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 the Company has significant flexibility in selecting the date of the market price to be used in each contract. The Company generally fixes the price of its coffee contracts two to six months prior to delivery so that it can adjust its sales prices to the market. At September 30, 2000, the Company had approximately \$9.0 million (for 8.1 million pounds) in purchase commitments, of which approximately 60% had a fixed price. These commitments represent approximately 57% of the Company's estimated coffee requirements through September 29, 2001, the end of its 2001 fiscal year.

In addition, from time to time, the Company uses commodity-based financial instruments to hedge price-to-be-established coffee purchase commitments with the objective of minimizing cost risk due to market fluctuations. Gains and losses relating to qualifying hedges of anticipated inventory transactions or firm commitments are deferred in current assets and are included in the basis of the underlying transactions. At September 30, 2000, the Company held call options covering an aggregate of 562,500 pounds of green coffee beans which are exercisable in fiscal 2001 at prices ranging from \$1.20 to \$1.50 per pound. Additionally, the Company held a short position on put options covering 187,500 pounds of green coffee exercisable in fiscal 2001 at a price of \$1.00. At September 30, 2000, the "C" price of coffee was \$0.83. If the price of coffee remains under \$1.00 when these options come to term, the loss incurred will be approximately \$57,000. However, this loss, if realized, would be offset by lower costs of coffee purchased during fiscal 2001. Additionally, the Company had futures contracts outstanding of approximately \$743,000 at September 30, 2000. The fair market value of these futures at September 30, 2000 was \$706,000. If the settlement price of these futures drops on average by 10%, the additional loss incurred will be approximately \$71,000.

## **Item 8. Financial Statements and Supplementary Data**

**See dated Financial Statements on Page F-1.**

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

None.

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## PART III

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

Except for information regarding the Company's executive officers, the information called for by this Item is incorporated in this report by reference to the Company's definitive Proxy Statement for the Company's Annual Meeting of Stockholders to be held on March 15, 2001, which will be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended September 30, 2000 (the "Definitive Proxy Statement").

For information concerning the executive officers of the Company, see "Executive Officers of the Registrant" under Part I of this report.

### **Item 11. Executive Compensation**

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

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

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

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

(a) 1. Financial Statements

The following consolidated financial statements are filed as part of this report:

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(a) 2. Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

Report of Independent Accountants on Financial Statement Schedules.....	F-25
Schedule II: Valuation and Qualifying Accounts.....	F-26

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

(a) 3. Exhibits

The exhibits listed below are filed as part of, or incorporated by reference into, this report. The Company shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request in writing to: Green Mountain Coffee, Inc., Investor Services, 33 Coffee Lane, Waterbury, VT 05676.

Exhibit No.	Exhibit Title
-----	-----
3.1	Certificate of Incorporation of the Company(1)
3.2	Bylaws of the Company(1)
10.2	(b) Term Loan Promissory Note, dated August 11, 1993, from Green Mountain Coffee Roasters, Inc. to Fleet Bank - NH(1)
	(f) Collateral Assignment of Leasehold Interest, dated August 11, 1993, between Green Mountain Coffee Roasters, Inc. and Fleet Bank - NH(1)
	(y) Seventh Amendment and First Restatement of Commercial Loan Agreement, dated April 12, 1996, among Green Mountain Coffee Roasters, Inc., as borrower, and Fleet Bank - NH as lender(10)
	(aa) Note Modification Agreement, dated April 12, 1996, to modify Term Promissory Note dated August 11, 1993 from Green Mountain Coffee Roasters, Inc. to Fleet Bank - NH(10)
	(bb) Eighth Amendment to Commercial Loan Agreement, dated February 19, 1997, among Green Mountain Coffee Roasters, Inc., as borrower, and Fleet Bank - NH as lender(12)
	(ee) Ninth Amendment to Commercial Loan Agreement, Fleet Bank, dated June 9, 1997 among Green Mountain Coffee Roasters, Inc. as borrower, and Fleet Bank - NH, as lender(13)
	(gg) Eleventh Amendment to Commercial Loan Agreement, dated February 19, 1998, from Green Mountain Coffee Roasters, Inc., to Fleet Bank - NH(14)
	(hh) Replacement Revolving Line of Credit Promissory Note, dated February 19, 1998, from Green Mountain Coffee Roasters, Inc., to Fleet Bank - NH(14)
	(ii) Revolving Line of Credit/Term Promissory Note, dated February 19, 1998, from Green Mountain Coffee Roasters, Inc., to Fleet Bank - NH(14)
	(jj) Twelfth Amendment to Fleet Bank - NH Commercial Loan Agreement and Loan Documents dated April 7, 2000(22)
10.10	(g) First Restatement of Security Agreement, dated April 12, 1996, between Green Mountain Coffee Roasters, Inc. and Fleet Bank - NH(10)
10.15	Assignment of Trademarks from Green Mountain Coffee, Inc. in connection with the Fleet Bank - NH financing(1)
10.22	U.S. Small Business Administration ("SBA") Authorization and Debenture Guaranty relating to \$766,000 loan to Green Mountain Coffee, Inc. together with Letters dated 7/14/93 and 7/19/93 from SBA to Central Vermont Economic Development Corporation relating thereto(1)
	(a) Small Business Administration Guaranty dated September 30, 1993 from Robert P. Stiller to Central Vermont Economic Development Corporation(4)
	(b) Assignment, dated September 30, 1993, by Central Vermont Economic Development Corporation to Small Business Administration of Small Business Administration Guaranty dated September 30, 1993 from Robert P. Stiller to Central Vermont Economic Development Corporation(4)
	(c) Mortgage, dated September 30, 1993, between Green Mountain Coffee Roasters, Inc. and Central Vermont Economic Development Corporation(4)
	(d) Assignment, dated September 30, 1993, by Central Vermont Economic Development Corporation to Small Business Administration of Mortgage, dated September 30, 1993, between Green Mountain Coffee Roasters, Inc. and Central Vermont Economic Development Corporation(4)
	(e) "504" Note, dated September 30, 1993, in the amount of \$766,000, from Green Mountain Coffee Roasters, Inc. to Central Vermont Economic Development Corporation, as amended, including Servicing Agent Agreement among

- Green Mountain Coffee Roasters, Inc. and Colson Services Corp.(5)
- (f) Assignment, dated September 30, 1993, by Central Vermont Economic Development Corporation to Small Business Administration of "504" Note, dated September 30, 1993, in the amount of \$766,000, from Green Mountain Coffee Roasters, Inc. to Central Vermont Economic Development Corporation(4)
  - (g) Security Agreement from Green Mountain Coffee Roasters, Inc. to Central Vermont Economic Corporation(4)
  - (h) Assignment, dated September 30, 1993, by Central Vermont Economic Development Corporation to Small Business Administration of Security Agreement from Green Mountain Coffee Roasters, Inc. to Central Vermont Economic Development Corporation(4)
  - (i) Letter Agreement, dated October 1, 1993, among Central Vermont Economic Development Corporation, Green Mountain Coffee Roasters, Inc. and Small Business Administration, amending the Authorization and Debenture Guaranty among Small Business Administration, Central Vermont Economic Development Corporation, and Green Mountain Coffee Roasters, Inc.(4)
  - (j) Development Company 504 Debenture, issued October 14, 1993, for principal amount of as Trustee(4)
- 10.33 Lease Agreement, dated 4/28/93, between Pilgrim Partnership and Green Mountain Coffee, Inc.(1)
- (a) Addendum to Lease Agreement, dated 4/28/93(1)
  - (b) Lease Amendment dated August 16, 1993(4)
  - (c) Letter Agreement dated July 30, 1997(16)
- 10.36 1993 Stock Option Plan of the Company, as revised(15)\*
- 10.37 1998 Employee Stock Purchase Plan with Form of Participation Agreement(17)\*
- 10.38 1999 Stock Option Plan of the Company(18)\*
- 10.40 Employment Agreement of Robert D. Britt dated March 26, 1993(1)\*
- 10.41 Employment Agreement of Stephen J. Sabol dated as of July 1, 1993(1)\*
- 10.42 Employment Agreement of Paul Comey dated as of July 1, 1993(1)\*
- 10.44 Employment Agreement of Jonathan C. Wettstein dated as of July 1, 1993(1)\*
- 10.45 Stock Option Agreement, dated July 21, 1993, between the Company and Robert D. Britt(1)\*
- 10.46 Stock Option Agreement, dated July 21, 1993, between the Company and Agnes M. Cook(1)\*
- 10.48 Stock Option Agreement, dated July 21, 1993, between the Company and Paul Comey(1)\*
- 10.50 Stock Option Agreement, dated July 21, 1993, between the Company and James K. Prevo(1)\*
- 10.51 Stock Option Agreement, dated July 21, 1993, between the Company and Stephen J. Sabol(1)\*
- 10.52 Stock Option Agreement, dated July 21, 1993, between the Company and Jonathan C. Wettstein(1)\*
- 10.59 Stock Option Agreement, dated July 22, 1994, between the Company and William D. Davis(8)\*
- 10.60 Stock Option Agreement, dated July 22, 1994, between the Company and Jules A. del Vecchio(8)\*
- 10.61 Stock Option Agreement, dated July 22, 1994, between the Company and Ian W. Murray(8)\*
- 10.62 Stock Option Agreement, dated December 30, 1994, between the Company and Robert D. Britt(9)\*
- 10.63 Stock Option Agreement, dated December 30, 1994, between the Company and Stephen J. Sabo(19)\*

10.64 Stock Option Agreement, dated December 30, 1994, between the Company and Jonathan C. Wettstein(9)\*

10.65 Stock Option Agreement, dated December 30, 1994, between the Company and Paul Comey(9)\*

10.66 Stock Option Agreement, dated November 27, 1995, between the Company and David E. Moran(11)\*

10.68 First Amendment to Stock Option Agreement, dated July 21, 1993 between the Company and Robert D. Britt(11)\*

10.69 First Amendment to Stock Option Agreement, dated July 21, 1993 between the Company and Paul Comey(11)\*

10.70 First Amendment to Stock Option Agreement, dated July 21, 1993 between the Company and Jonathan C. Wettstein(11)\*

10.75 Stock Option Agreement, dated July 31, 1997 between the Company and James K. Prevo(16)\*

10.76 Stock Option Agreement, dated October 21, 1997 between the Company and Robert D. Britt(14)\*

10.77 Stock Option Agreement, dated October 21, 1997 between the Company and Paul Comey (14)\*

10.78 Stock Option Agreement, dated October 21, 1997 between the Company and Jonathan C. Wettstein(14)\*

10.80 Stock Option Agreement, dated October 21, 1997 between the Company and Stephen J. Sabol(14)\*

10.81 Stock Option Agreement, dated January 8, 1999 between the Company and Robert D. Britt(18)\*

10.82 Stock Option Agreement, dated January 8, 1999 between the Company and Paul Comey(18)\*

10.83 Stock Option Agreement, dated January 8, 1999 between the Company and Paul Comey(18)\*

10.84 Stock Option Agreement, dated January 8, 1999 between the Company and Jonathan C. Wettstein(18)\*

10.85 Stock Option Agreement, dated January 8, 1999 between the Company and Jonathan C. Wettstein(18)\*

10.87 Stock Option Agreement, dated January 8, 1999 between the Company and Stephen J. Sabol(18)\*

10.89 Stock Option Agreement, dated January 8, 1999 between the Company and James K. Prevo(18)\*

10.90 Stock Option Agreement, dated January 8, 1999 between the Company and James K. Prevo(18)\*

10.91 Stock Option Agreement, dated April 13, 1999 between the Company and David E. Moran(19)\*

10.92 Stock Option Agreement, dated April 13, 1999 between the Company and William D. Davis(19)\*

10.93 Stock Option Agreement, dated April 13, 1999 between the Company and Jules A. del Vecchio(19)\*

10.94 Stock Option Agreement, dated April 13, 1999 between the Company and Hinda Miller(19)\*

10.95 Stock Option Agreement, dated September 13, 1999 between the Company and Kevin G. McBride\*(20)

10.96 Stock Option Agreement, dated November 1, 1999 between the Company and Agnes M. Cook\*(20)

10.97 Promissory note from Robert P. Stiller to the Company, dated September 24, 1999(20)

10.98 Promissory note from Robert P. Stiller to the Company, dated October 18, 1999(20)

10.99	Promissory note from Robert P. Stiller to the Company, dated November 3, 1999(20)
10.100	Stock Option Agreement, dated as of December 21, 1999, by and between Robert D. Britt and the Company*(21)
10.101	Stock Option Agreement, dated as of December 21, 1999, by and between Agnes M. Cook and the Company*(21)
10.102	Stock Option Agreement, dated as of December 21, 1999, by and between Jonathan C. Wettstein and the Company*(21)
10.103	Stock Option Agreement, dated as of December 21, 1999, by and between James K. Prevo and the Company*(21)
10.104	Stock Option Agreement, dated as of December 21, 1999, by and between Paul Comey and the Company*(21)
10.105	2000 Stock Option Plan of the Company
10.106	Stock Option Agreement, dated as of October 2, 2000, by and between Robert D. Britt and the Company*
10.107	Stock Option Agreement, dated as of October 2, 2000, by and between Agnes M. Cook and the Company*
10.108	Stock Option Agreement, dated as of October 2, 2000, by and between Jonathan C. Wettstein and the Company*
10.109	Stock Option Agreement, dated as of October 2, 2000, by and between Paul Comey and the Company*
10.110	Stock Option Agreement, dated as of October 2, 2000, by and between James K. Prevo and the Company*
10.111	Stock Option Agreement, dated as of October 2, 2000, by and between Stephen Sabol and the Company*
10.112	Stock Option Agreement, dated as of October 2, 2000, by and between Kevin McBride and the Company*
10.113	Green Mountain Coffee, Inc. Employee Stock Ownership Plan
10.114	Green Mountain Coffee, Inc. Employee Stock Ownership Trust
10.115	Chef Express.net, Inc. Series A Convertible Preferred Stock Purchase Agreement
10.116	Promissory note from Robert P. Stiller, dated April 12, 2000
21	List of Subsidiaries of the Company
23	Consent of PricewaterhouseCoopers LLP
24	Powers of Attorney
27	Financial Data Schedule

(b) Reports on Form 8-K No reports on Form 8-K were filed during the quarter ended September 30, 2000.

Notes to exhibits listed above

\* Management contract or compensatory plan

1. Incorporated by reference to the corresponding exhibit number in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993 and declared effective September 21, 1993
2. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-QSB for the 12 weeks ended April 9, 1994, filed on May 24, 1994
3. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-KSB for the fiscal year ended September 24, 1994, filed December 8, 1994
4. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993
5. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-QSB for the 16 weeks ended January 15, 1994, filed on February 25, 1994
6. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-QSB for the 16 weeks ended January 14, 1995, filed on February 25, 1995
7. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-QSB for the 12 weeks ended April 8, 1995, filed on May 23, 1995
8. Incorporated by reference to the corresponding exhibit number in Amendment No. 1 to the Annual Report on Form 10-KSB/A for the fiscal year ended September 24, 1994, filed on December 16, 1994
9. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995
10. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-QSB for the 12 weeks ended April 13, 1996
11. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-KSB for the fiscal year ended September 26, 1996
12. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 16 weeks ended January 18, 1997
13. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 12 weeks ended April 12, 1997
14. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 12 weeks ended July 5, 1997
- 15.. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-K for the fiscal year September 27, 1997
16. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 16 weeks January 17, 1998
17. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-K for the fiscal year September 26, 1998
18. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 16 weeks January 18, 1999
19. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 12 weeks July 3, 1999
20. Incorporated by reference to the corresponding exhibit number in the Annual Report on Form 10-K for the year ended September 25, 1999
21. Incorporated by reference to the corresponding exhibit number in the Quarterly Report on Form 10-Q for the 12 weeks ended January 15, 2000
22. Incorporated by reference to the corresponding exhibit number in the Schedule TO filed on April 17, 2000

## 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, INC.

By: /s/ Robert P. Stiller

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ROBERT P. STILLER  
Chairman of the Board of Directors,  
President and Chief Executive Officer

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 Chairman of the Board of Directors, December 27, 2000  
----- President and Chief Executive Officer  
(Principle Executive Officer)

/s/ Robert D. Britt Chief Financial Officer, Treasurer, December 27, 2000  
----- Secretary and Director (Principal  
Financial and Accounting Officer)

STEPHEN J. SABOL\* Director December 27, 2000

JONATHAN C. WETTSTEIN\* Director December 27, 2000

WILLIAM D. DAVIS\* Director December 27, 2000

JULES A. DEL VECCHIO\* Director December 27, 2000

HINDA MILLER\* Director December 27, 2000

DAVID E. MORAN\* Director December 27, 2000

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

**GREEN MOUNTAIN COFFEE, INC.**  
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## Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Green Mountain Coffee, Inc. at September 30, 2000 and September 25, 1999 and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

*/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
November 10, 2000*

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

	September 30, 2000	September 25, 1999
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 489	\$ 415
Receivables, less allowances of \$320 at September 30, 2000 and \$190 at September 25, 1999...	8,454	6,223
Inventories.....	5,350	5,409
Other current assets.....	580	497
Loans to officers.....	-	250
Deferred income taxes, net.....	182	490
	-----	-----
Total current assets.....	15,055	13,284
Fixed assets, net.....	11,274	10,183
Other long-term assets.....	348	250
Deferred income taxes, net.....	497	161
	-----	-----
	\$ 27,174	\$ 23,878
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt.....	\$ 135	\$ 1,127
Accounts payable.....	6,125	4,551
Accrued compensation costs.....	1,381	1,005
Accrued expenses.....	614	357
Accrued losses and other costs of discontinued operations, net.....	119	192
	-----	-----
Total current liabilities.....	8,374	7,232
	-----	-----
Long-term debt.....	283	1,908
	-----	-----
Long-term line of credit.....	8,500	3,056
	-----	-----
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, \$0.10 par value:		
Authorized - 10,000,000 shares; Issued - 3,671,005 and 3,615,404 shares at September 30, 2000 and September 25, respectively.....	367	362
Additional paid-in capital.....	13,901	13,409
Retained earnings (accumulated deficit).....	2,778	(1,435)
Treasury shares, at cost - 568,753 and 100,609 shares at September 30, 2000 and September 25, 1999, respectively.....	(7,029)	(654)
	-----	-----
Total stockholders' equity.....	10,017	11,682
	-----	-----
	\$ 27,174	\$ 23,878
	=====	=====

[FN]

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

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

**Year Ended**

	September 30, 2000	September 25, 1999	September 26, 1998
	-----	-----	-----
Net sales.....	\$ 84,001	\$ 64,881	\$ 55,825
Cost of sales.....	50,465	39,261	36,558
	-----	-----	-----
Gross profit.....	33,536	25,620	19,267
Selling and operating expenses.....	20,747	16,381	13,805
General and administrative expenses.....	5,887	4,661	4,169
Loss on abandonment of equipment.....	135	229	-
	-----	-----	-----
Operating income.....	6,767	4,349	1,293
Other income.....	48	10	66
Interest expense.....	(583)	(736)	(821)
	-----	-----	-----
Income from continuing operations before income taxes.....	6,232	3,623	538
Income tax expense.....	(2,079)	(1,376)	(198)
	-----	-----	-----
Income from continuing operations.....	4,153	2,247	340
Discontinued operations:			
Loss from discontinued retail stores operations, net of income tax benefits of \$196.....	-	-	(297)
Income (loss) on disposal of retail stores, net of income tax expense of \$40 and \$114 for the years ended September 30, 2000 and September 25, 1999, respectively, and income tax benefit of \$834 for the year ended September 26, 1998..	60	186	(1,259)
	-----	-----	-----
Net income (loss).....	\$ 4,213	\$ 2,433	\$ (1,216)
	=====	=====	=====
Basic income (loss) per share:			
Weighted average shares outstanding.....	3,293,422	3,503,412	3,530,657
Income from continuing operations.....	\$ 1.26	\$ 0.64	\$ 0.10
Income (loss) from discontinued operations.....	\$ 0.02	\$ 0.05	\$ (0.44)
Net income (loss).....	\$ 1.28	\$ 0.69	\$ (0.34)
Diluted income (loss) per share:			
Weighted average shares outstanding.....	3,489,622	3,547,155	3,539,231
Income from continuing operations.....	\$ 1.19	\$ 0.64	\$ 0.10
Income (loss) from discontinued operations.....	\$ 0.02	\$ 0.05	\$ (0.44)
Net income (loss).....	\$ 1.21	\$ 0.69	\$ (0.34)

[FN]

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

GREEN MOUNTAIN COFFEE, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
For the years ended September 30, 2000, September 25, 1999, and September 26, 1998  
(Dollars in thousands)

	Common stock Shares	Amount	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock Shares	Amount	Total stockholders' equity
Balance at September 27, 1997.....	3,530,818	\$ 353	\$ 12,954	\$ (2,652)	-	-	\$ 10,655
Issuance of common stock under employee stock purchase plan...	15,023	2	64	-	-	-	66
Purchase of treasury shares.....	-	-	-	-	(7,350)	\$ (37)	(37)
Net loss.....	-	-	-	(1,216)	-	-	(1,216)
Balance at September 26, 1998.....	3,545,841	355	13,018	(3,868)	(7,350)	(37)	9,468
Issuance of common stock under employee stock purchase plan...	37,263	4	186	-	-	-	190
Options exercised.....	32,300	3	205	-	-	-	208
Purchase of treasury shares.....	-	-	-	-	(93,259)	(617)	(617)
Net income.....	-	-	-	2,433	-	-	2,433
Balance at September 25, 1999.....	3,615,404	362	13,409	(1,435)	(100,609)	(654)	11,682
Issuance of common stock under employee stock purchase plan...	32,309	3	276	-	-	-	279
Options exercised.....	23,292	2	167	-	-	-	169
Purchase of treasury shares.....	-	-	-	-	(468,144)	(6,375)	(6,375)
Non cash compensation expense.....	-	-	49	-	-	-	49
Net income.....	-	-	-	4,213	-	-	4,213
Balance at September 30, 2000.....	3,671,005	\$ 367	\$ 13,901	\$ 2,778	(568,753)	\$ (7,029)	\$ 10,017

[FN]

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

**GREEN MOUNTAIN COFFEE, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Dollars in thousands)

	Year ended		
	September 30, 2000	September 25, 1999	September 26, 1998
Cash flows from operating activities:			
Net income (loss).....	\$ 4,213	\$ 2,433	\$ (1,216)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
(Income) loss from discontinued operations.....	(60)	(186)	1,556
Depreciation and amortization.....	2,968	2,943	2,754
Loss on disposal and abandonment of fixed assets.....	173	240	63
Provision for doubtful accounts.....	361	241	577
Non-cash compensation.....	49	3	-
Deferred income taxes.....	(28)	966	(70)
Changes in assets and liabilities:			
Receivables.....	(2,592)	(1,675)	(1,247)
Inventories.....	59	227	(565)
Other current assets.....	167	(73)	(325)
Other long-term assets.....	(98)	20	63
Accounts payable.....	1,574	1,420	(1,823)
Accrued compensation costs.....	376	178	211
Accrued expenses.....	257	(150)	228
Net cash provided by continuing operations.....	7,419	6,587	206
Net cash (used for) provided by discontinued operations.....	(13)	42	(406)
Net cash provided by (used for) operating activities...	7,406	6,629	(200)
Cash flows from investing activities:			
Expenditures for fixed assets.....	(4,597)	(2,655)	(3,375)
Proceeds from disposals of fixed assets.....	365	89	170
Capital expenditures for discontinued operations.....	-	-	(208)
Proceeds from disposal of discontinued operations....	-	158	118
Net cash used for investing activities	(4,232)	(2,408)	(3,295)
Cash flows from financing activities:			
Proceeds from issuance of common stock.....	448	395	66
Purchase of treasury shares.....	(6,375)	(617)	(37)
Proceeds from issuance of long-term debt.....	123	-	4,500
Repayment of long-term debt.....	(2,740)	(2,255)	(2,121)
Borrowings under (repayment of) revolving line of credit.....	5,444	(2,094)	1,165
Principal payments under capital lease obligation....	-	(12)	(132)
Net cash (used for) provided by financing activities...	(3,100)	(4,583)	3,441
Net increase (decrease) in cash and cash equivalents...	74	(362)	(54)
Cash and cash equivalents at beginning of year.....	415	777	831
Cash and cash equivalents at end of year.....	\$ 489	\$ 415	\$ 777
Supplemental disclosures of cash flow information:			
Cash paid for interest.....	\$ 607	\$ 719	\$ 786
Cash paid for income taxes.....	\$ 1,896	\$ 248	\$ 56

[FN]

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

# GREEN MOUNTAIN COFFEE, INC.

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Organization

The accompanying consolidated financial statements include the accounts of Green Mountain Coffee, Inc. (the "Company") and its wholly-owned subsidiary, Green Mountain Coffee Roasters, Inc. All significant inter-company transactions and balances have been eliminated.

The Company 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 direct mail operation serving customers nationwide.

The Company's fiscal year ends on the last Saturday in September. Fiscal 2000, fiscal 1999 and fiscal 1998 represent the years ended September 30, 2000, September 25, 1999, and September 26, 1998, respectively. Fiscal 2000 consists of 53 weeks, whereas fiscal 1999 and 1998 consist of 52 weeks each.

### 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 and 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. These transactions meet the requirements for hedge accounting, including designation and correlation. To obtain a proper matching of revenue and expense, gains or losses arising from open and closed hedging transactions are included in inventory as a cost of the commodity and reflected in the statement of operations when the hedged coffee purchase contract is fixed and the hedging instrument is closed. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in the price of green coffee. The overall exposure to credit risk is considered to be minimal.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This pronouncement will require the Company to recognize derivatives on its balance sheet at fair value. Derivatives that are not hedges must be 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 will either be 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 will be immediately recognized in earnings. In June 1999, Statement of Financial Accounting Standards No.

137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" ("SFAS 137") was issued. SFAS 137 deferred the effective date of SFAS 133 until the first quarter of fiscal 2001. The Company will adopt SFAS 133 as of October 1, 2000. The adoption of SFAS 133 is expected to have an immaterial impact on the Company's financial position and results from operations. The Company does not believe the adoption of SFAS 133 will significantly alter the Company's hedging strategies or cause a significant change in normal business practices.

#### OTHER LONG-TERM ASSETS

Other long-term assets consist of deposits, debt issuance costs and minority investments in Keurig, Inc and ChefExpress.net, Inc. Debt issuance costs represent those costs incurred in connection with the issuance of debt. Amortization is calculated using the straight-line method over the respective original lives of the applicable issue. Amortization calculated using the straight-line method is not materially different from amortization that would have resulted from using the interest method. Debt issuance costs included in other long-term assets in the accompanying consolidated balance sheet at September 30, 2000 and September 25, were \$22,000 and \$32,000, respectively. The minority investments, which represent less than 5% interests, are accounted for under the cost method. The balance in the investment in Keurig, Inc. included in other long-term assets in the accompanying consolidated balance sheet at September 30, 2000 and September 25, 1999 is \$151,000. The balance in the investment in ChefExpress.net, Inc. (an entity whose Chief Executive Officer and President is also a member of the

Company's Board of Directors- see note 18) included in other long-term assets in the accompanying consolidated balance sheet at September 30, 2000 is \$104,000.

### **ADVERTISING COSTS**

The Company expenses the costs of advertising the first time the advertising takes place. At September 30, 2000 and September 25, 1999 prepaid advertising costs of \$83,000 and \$81,000, respectively, were recorded in other current assets in the accompanying consolidated balance sheet. Advertising expense totaled \$4,553,000, \$3,499,000, and \$2,791,000 for the years ended September 30, 2000, September 25, 1999, and September 26, 1998, 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.

### **REVENUE RECOGNITION**

Revenue from wholesale and direct mail sales is recognized upon product shipment.

In December 1999, the Securities and Exchange Commission ("SEC"), released Staff Accounting Bulletin No. 101 ("SAB 101"), which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC released SAB 101B, which postponed the effective date of SAB 101 to the fourth quarter of fiscal years beginning after December 15, 1999. Green Mountain Coffee will be required to be in conformity with the provisions of SAB 101 in the fourth quarter of fiscal 2001. The Company does not expect the adoption of SAB 101 will have a material impact on the Company's financial position or results of operations.

### **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.

### **INCOME (LOSS) PER SHARE**

In February 1997 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). This pronouncement supersedes the previous methodology for the calculation of earnings per share as promulgated under APB Opinion No. 15. SFAS 128 requires presentation of "basic" earnings per share and "diluted" earnings per share. The Company adopted SFAS 128 in fiscal 1998.

### **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 30, 2000. It was not practicable to estimate the fair value of minority investments representing less than 5% of the preferred stock of two untraded companies. The investment in Keurig, Inc. is carried at its original cost of \$151,000 at September 30, 2000 and September 25, 1999, respectively. The investment in ChefExpress.net, Inc. is carried at its original cost of \$104,000 at September 30, 2000.

### **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**

The extensive network of Exxon Mobil Corporation convenience stores, corporate-owned or managed by independent franchisees, accounted

for approximately 17.0%, 18.6%, and 17.7% of net sales from continuing operations in the years ended September 30, 2000, September 25, 1999, and September 26, 1998, respectively. During the same periods, corporate-owned Exxon Mobil convenience stores made up less than 10% of the Company's revenues. Exxon Mobil Corporation is a customer of the wholesale segment (see footnote 17 on Segment Reporting). 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 history are performed. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

## SEGMENT REPORTING

In accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), the Company's business is comprised of two distinct business segments determined by the distribution channel. The direct mail segment is comprised of all consumer-direct sales and sales to small businesses which are solicited via catalogs and the Company's online store - [www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com). The wholesale segment is comprised of sales to customers who resell Green Mountain coffee either as coffee beans or brewed coffee by the cup, such as supermarkets, office coffee distributors, convenience stores, restaurants, and others. Wholesale sales are generated through the Company's direct sales force and a limited number of distributors.

## RECLASSIFICATIONS

Certain reclassifications of prior year balances have been made to conform to the current presentation.

### 3. Inventories

Inventories consist of the following:

	September 30, 2000	September 25, 1999
Raw materials and supplies...	\$ 2,557,000	\$ 2,809,000
Finished goods.....	2,793,000	2,600,000
	\$ 5,350,000	\$ 5,409,000

Inventory values above are presented net of \$127,000 and \$136,000 of obsolescence reserves at September 30, 2000 and September 25, 1999, respectively.

As of September 30, 2000, the Company had inventory purchase commitments for green coffee totaling approximately \$9.0 million, of which approximately 60% had a fixed price. The value of the variable portion of these commitments was calculated using the March 2001 C price of coffee at September 30, 2000 or \$0.8775. 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 30, 2000	September 25, 1999
Leasehold improvements.....	2 - 10	\$ 2,339,000	\$ 2,216,000
Production equipment.....	2 - 10	5,323,000	5,539,000
Office equipment and software.....	2 - 10	7,050,000	5,581,000
Equipment on loan to wholesale customers....	3 - 5	5,849,000	4,133,000
Vehicles.....	4 - 5	657,000	512,000
Construction-in-progress.....		247,000	162,000
		21,465,000	18,143,000
Total fixed assets.....		21,465,000	18,143,000
Accumulated depreciation.....		(10,191,000)	(7,960,000)
		\$ 11,274,000	\$ 10,183,000

Total depreciation and amortization expense from continuing operations relating to all fixed assets was \$2,968,000, \$2,943,000 and \$2,754,000 for fiscal 2000, 1999, and 1998, respectively.

During fiscal 2000, following a thorough review of its production fixed assets, the Company recorded a \$135,000 loss on disposal and abandonment of production equipment and software. The original aggregate cost of this equipment was \$908,000 and its related accumulated depreciation was \$573,000.

During fiscal 1999, the Company disposed of assets with a cost of \$5,012,000 and related accumulated depreciation of \$4,683,000 resulting in a loss on disposal and abandonment of fixed assets of \$240,000. As part of this loss, the Company recorded a \$229,000 loss on abandonment of loaner equipment. This resulted from a thorough review of its brewing and other equipment on loan to customers, through which it identified a small portion of its old equipment that would not be retrieved.

## 5. Income Taxes

The provision for income taxes from continuing operations for the years ended September 30, 2000, September 25, 1999, and September 26, 1998 consists of the following:

	September 30, 2000	September 25, 1999	September 26, 1998
	-----	-----	-----
Current tax expense:			
Federal.....	\$ 2,029,000	\$ 862,000	-
State.....	348,000	186,000	\$ 17,000
Benefit of net operating loss carryforwards.....	(272,000)	(948,000)	-
	-----	-----	-----
Total current.....	2,105,000	100,000	17,000
	-----	-----	-----
Deferred tax expense:			
Federal.....	217,000	1,098,000	187,000
State.....	291,000	178,000	30,000
	-----	-----	-----
Total deferred.....	508,000	1,276,000	217,000
Tax asset valuation allowance...	(534,000)	-	(36,000)
	-----	-----	-----
Total tax expense.....	\$ 2,079,000	\$ 1,376,000	\$ 198,000
	=====	=====	=====

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.

Deferred tax assets (liabilities), including temporary differences related to discontinued operations (see Note 6), consist of the following:

	September 30, 2000	September 25, 1999
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards.....	-	\$ 272,000
Federal investment tax credits.....	-	3,000
Vermont state manufacturers investment tax credit.....	\$ 2,440,000	2,627,000
Section 263A adjustment.....	3,000	4,000
Other reserves and temporary differences.	277,000	467,000
	-----	-----
Gross deferred tax assets.....	2,720,000	3,373,000
Deferred tax asset valuation allowance...	(1,821,000)	(2,355,000)
Deferred tax liability:		
Depreciation.....	(140,000)	(239,000)
	-----	-----
Net deferred tax assets.....	\$ 759,000	\$ 779,000
	=====	=====

In November 1996, the Company received notification from the State of Vermont that it had approved a \$4,041,000 manufacturers investment tax credit pertaining to certain fixed assets purchased between July 1, 1993 and June 30, 1996, which will expire in 2004. During fiscal 2000, the Company utilized \$185,000 of this credit. The resulting deferred tax asset, which is substantially offset by a valuation allowance, is reflected in the above table net of the federal tax effect.

During fiscal 2000, the deferred tax asset valuation allowance was reduced by \$534,000, based primarily upon estimates of future taxable income and that portion which is expected to be allocable to Vermont on which the credit could be applied. Although realization is not assured, management believes that the net deferred tax asset represents management's best estimate, based upon the weight of available evidence as prescribed in SFAS 109, of the amount which is more likely than not to be realized. If such evidence were to change, based upon near-term operating results and longer-term projections, the amount of the valuation allowance recorded against the gross deferred tax asset may be decreased or increased. Also, if certain substantial changes in the Company's ownership should occur, there would be an annual limitation on the amount of loss carryforwards which could be utilized, and restrictions on the utilization of investment tax credit carryforwards.

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 30, 2000	September 25, 1999	September 26, 1998
	-----	-----	-----
Tax at U.S. Federal Statutory rate....	\$ 2,120,000	\$ 1,231,000	\$ 183,000
Increase (decrease) in rates resulting from:			
Other nondeductible items.....	42,000	28,000	22,000
State taxes, net of federal benefit.....	447,000	217,000	42,000
Deferred tax asset valuation allowance and other.....	(530,000)	(100,000)	(49,000)
	-----	-----	-----
Tax at effective rates.....	\$ 2,079,000	\$ 1,376,000	\$ 198,000
	=====	=====	=====

## 6. Discontinued Operations

During the third fiscal quarter of 1998, the Company announced that it was discontinuing its company-owned retail store operations and estimated its loss on disposal at \$1,259,000 (net of a tax benefit of \$834,000). The pre-tax loss on disposal of \$2,093,000 in 1998 consisted of an estimated loss on disposal of the business of \$1,692,000 and a provision of \$401,000 for anticipated losses from May 29, 1998 (the measurement date) until disposal. The loss on disposal included provisions for estimated lease termination costs, write-off of leasehold improvements and other fixed assets, severance and employee benefits. During the second quarter of fiscal 1999, the Company revised its estimated pre-tax loss on disposal and reversed \$300,000 (\$186,000 net of tax) of the original estimate, primarily due to larger than expected proceeds from the sale of fixed assets and lower lease termination costs. During the fourth quarter of fiscal 2000, the Company further revised its estimated pre-tax loss on disposal and reversed \$100,000 (\$60,000 net of tax) of the original estimate, due to lower lease termination costs.

The assets and liabilities of the discontinued retail operations at September 30, 2000 and September 25, 1999 are reflected as a net current liability in the accompanying consolidated balance sheet. The net liabilities of the discontinued operations in the September 30, 2000 and September 25, 1999 consolidated balance sheet are summarized as follows:

	September 30, 2000	September 25, 1999
	-----	-----
Fixed assets, net.....	\$ 36,000	\$ 46,000
Deferred tax assets, net.....	80,000	128,000
Estimated accrued losses and other costs on disposal of discontinued operations...	(235,000)	(366,000)
	-----	-----
Net accrued losses and other costs of discontinued operations.....	\$ (119,000)	\$ (192,000)
	=====	=====

## 7. Credit Facility

The Company maintains a credit facility (the "Credit Facility") with Fleet Bank -NH ("Fleet"). Borrowings are collateralized by substantially all of the Company's assets. During fiscal 1999, the Credit Facility provided for a \$9,000,000 revolving line of credit maturing March 31, 2001 as well as term debt with a limit of \$4,500,000 maturing March 31, 2003. On April 7, 2000, the Company consolidated its credit facilities with Fleet. The amended debt agreement provides for a revolving line of credit of \$15,000,000, which matures on March 31, 2003 and is not subject to a borrowing base formula. The purpose of the new facility is to fund the Company's ordinary working capital requirements, planned repurchases of shares of stock and other general corporate purposes. The Fleet term debt facility was extinguished on April 7, 2000 using new borrowings under the line of credit. The terms of the Credit Facility also provide for the maintenance of specified financial ratios and restrict certain transactions without prior bank approval. The Company was in compliance with these covenants at September 30, 2000.

The principal amounts outstanding on the revolving line of credit at September 30, 2000 and September 25, 1999 were \$8,500,000 and \$3,056,000, respectively. The outstanding balance on the term debt at September 25, 1999 was \$2,500,000.

The interest paid on the credit facility varies with the prime, LIBOR and Bankers Acceptance rates, plus a margin based on a performance price structure. Interest rates on September 30, 2000 for each portion of the line of credit were as follows: 6.56% plus 135 basis points on \$2,200,000; 6.57% plus 110 basis points on \$2,500,000; 6.56% plus 110 basis points on \$2,000,000; 6.53% plus 135 basis points on \$1,000,000; 6.62% plus 150 basis points on \$400,000; and the prime rate or 9.5% on \$400,000.

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.

At September 25, 1999, the interest rate on \$2,500,000 of the principal amount outstanding on the revolving line of credit was at the one-month LIBOR rate plus 175 basis points or 7.11% while the interest on the remaining portion (equal to \$556,000) was at the prime rate or 8.25%. At September 25, 1999, the interest rate on the \$2,500,000 term debt was equal to LIBOR plus 200 basis points or 7.36%.

On May 29, 1998, the Company entered into a standard International Swap Dealers Association Inc. interest rate swap agreement with Fleet National Bank to manage the interest rate risk associated with its Credit Facility. The swap agreement had a notional amount of \$6,000,000 and maturity of May 2001. The effect of the swap agreement was to limit the interest rate exposure to a fixed rate of 5.84% (versus the 30-day LIBOR rate). Under the agreement, interest expense was calculated on a monthly basis. If interest expense as calculated was greater based on the 30-day LIBOR rate, Fleet National Bank paid the difference to the Company; if interest expense as calculated was greater based on the fixed rate, the Company paid the difference to Fleet National Bank. For the year ended September 25, 1999, the Company paid \$43,000 in additional interest expense pursuant to the swap agreement. The fair 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. At September 25, 1999, the Company estimated that it would have paid \$14,000 to terminate the agreement. During the first quarter of fiscal 2000, the Company received \$34,000 from Fleet National Bank for the termination of its interest rate swap agreement with a \$6,000,000 nominal amount. This payment was netted against interest expense for the fiscal quarter. Due to the termination of this agreement, at September 30, 2000, the Company had \$8,500,000 of debt subject to variable interest rates as described above.

8. Long-term Debt

	September 30, 2000	September 25, 1999
	-----	-----
Fleet line of credit (Note 7).....	\$ 8,500,000	\$ 3,056,000
Fleet term debt (Note 7).....	-	2,500,000
Facility and equipment term loans....	8,000	101,000
Central Vermont Economic Development Coporation Debenture.....	307,000	382,000
Vermont Economic Development Authority Promissory Note.....	-	42,000
Service vehicle installment loans....	103,000	10,000
	-----	-----
	8,918,000	6,091,000
Less current portion.....	135,000	1,127,000
	-----	-----
	\$ 8,783,000	\$ 4,964,000
	=====	=====

## FACILITY AND EQUIPMENT TERM LOANS

This loan is expiring on October 15, 2000 and bears an interest rate equal to the lesser of 25 basis points above Fleet's variable base rate or 275 basis points above the LIBOR rate for maturities of up to one year. At September 30, 2000, this loan had an outstanding balance of \$8,000 and bore interest at 9.37%.

## CENTRAL VERMONT ECONOMIC DEVELOPMENT CORPORATION DEBENTURE

The debenture from the Central Vermont Economic Development Corporation (CVEDC) is guaranteed by the U.S. Small Business Administration. The debenture matures on January 1, 2004 and requires equal monthly principal and interest payments of approximately \$8,500 and carries a fixed interest rate of 5.812%. The debenture is secured by a secondary security interest in the related fixed assets and is guaranteed by the majority stockholder of the Company. Additional guarantees will be required of any stockholder obtaining more than 20% ownership of the Company.

## SERVICE VEHICLE INSTALLMENT LOANS

The service vehicle installment loans represent several loans to financing institutions for the purchase of service vehicles. At September 30, 2000, the notes bear interest at a rate of varying from 2.9% to 3.9% and require monthly installments of principal and interest totaling approximately \$3,700. Maturities vary from January to March 2003.

## MATURITIES

Maturities of long-term debt for years subsequent to September 30, 2000 are as follows:

Fiscal Year	
2001.....	\$ 135,000
2002.....	133,000
2003.....	8,616,000
2004.....	34,000
2005.....	-
	-----
	\$ 8,918,000
	=====

### 9. Dutch Auction Self-Tender Offer and Open-Market Stock Repurchases

On April 17, 2000, the Company commenced a Dutch Auction self-tender offer for up to 300,000 shares of the Company's Common Stock at a price range of \$14.50 to \$16 per share. Effective May 22, 2000, the Company accepted for purchase all 278,658 shares tendered at a purchase price of \$16 per share. The costs associated with this transaction totaled \$64,000.

In fiscal 2000, the Company also repurchased 189,486 shares of its common stock in open-market transactions at a cost of \$1,852,000, or an average of \$9.77 per share. In fiscal 1999, the Company repurchased 93,259 shares for \$617,000, or an average of \$6.62 per share.

The stock repurchases were made because the Company deemed its stock undervalued by the market at the time.

### 10. Hedging

The Company uses futures and options contracts to hedge the effects of fluctuations in the price of green coffee beans. At September 30, 2000, the Company held call options covering an aggregate of 562,500 pounds of green coffee beans which are exercisable in fiscal 2001 at prices ranging from \$1.20 to \$1.50 per pound. In addition, the Company held a short position on put options covering 187,500 pounds of green coffee beans which are exercisable in fiscal 2001 at a price of \$1.00 per pound. At September 25, 1999, the Company held call options covering an aggregate of 863,000 pounds of green coffee beans which were exercisable in fiscal 2000 at prices ranging from \$1.80 to \$2.00 per pound. The fair market value of these options was approximately \$(33,000) at September 30, 2000. The fair market value of the options outstanding at September 25, 1999 was not material. Additionally, the Company had futures contracts outstanding of approximately \$743,000 at September 30, 2000. The fair market value of these futures at September 30, 2000 was \$706,000. The fair market value for the futures and options was obtained from a major financial institution based on the market value of those financial instruments at September 30, 2000 and September 25, 1999. At September 30, 2000 and September 25, 1999, \$70,000 and \$48,000, respectively, of deferred hedging losses were included in the value of the inventory in the accompanying consolidated balance sheet.

### 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. These options had a maximum life of 10 years and vested immediately. On December 21, 1999, all options outstanding under these individual agreements were amended to extend the expiration date of these options from April 15, 2003 to April 15, 2008. At the time of this amendment, the exercise price of the options exceeded the fair market value of the stock, and as such, no compensation expense was recognized. At September 30, 2000, 140,444 options were outstanding under these individual agreements.

The 1993 Plan provides for the granting of both incentive and non-qualified stock options, with an aggregate number of 75,000 shares of common stock to be made available under the 1993 Plan. Effective July 26, 1996, the total number of shares of authorized common stock to be made available under the 1993 Plan was increased to 275,000. Grants under the 1993 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 30, 2000 and September 25, 1999, options for 41,768 shares and 43,611 shares of common stock were available for grant under the plan, respectively.

On May 20, 1999, the Company registered on Form S-8 the 1999 Stock Option Plan (the "1999 Plan"). Under this plan, 250,000 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 30, 2000 and September 25, 1999, options for 7,621 shares and 57,321 shares of common stock were available for grant under the plan, respectively.

Under both the 1993 Plan and the 1999 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. 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. Options under the 1993 Plan and the 1999 Plan become exercisable over periods determined by the Board of Directors.

Option activity is summarized as follows:

	Number of Shares	Option Price	Weighted- average Exercise Price
	-----	-----	-----
Outstanding at September 27, 1997...	258,240	\$ 6.00 - 9.625	\$ 7.73
Granted.....	100,834	6.375 - 10.00	9.00
Exercised.....	-	-	-
Canceled.....	(9,261)	6.25 - 8.50	7.60
	-----	-----	-----
Outstanding at September 26, 1998...	349,813	6.00 - 10.00	8.10
Granted.....	290,212	4.375 - 7.625	5.95
Exercised.....	(32,300)	6.00 - 7.00	6.30
Canceled.....	(74,513)	4.375 - 10.00	7.14
	-----	-----	-----
Outstanding at September 25, 1999...	533,212	4.375 - 10.00	7.18
Granted.....	61,300	7.00 - 17.938	9.88
Exercised.....	(23,292)	4.375 - 8.50	7.25
Canceled.....	(9,757)	4.375 - 12.75	6.28
	-----	-----	-----
Outstanding at September 30, 2000...	561,463	\$ 4.375 - 17.938	\$ 7.48
	=====		
Exercisable at September 30, 2000...	299,310	\$ 4.375 - 10.00	\$ 7.76
	=====		

Range of exercise price	Number outstanding at September 30, 2000	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at September 30, 2000	Weighted average exercise price
-----	-----	-----	-----	-----	-----
\$ 4.38 - 6.00	163,660	8	\$ 5.26	47,510	\$ 5.41
6.25 - 7.00	64,005	8	6.82	21,703	6.65
7.44 - 7.63	80,000	9	7.61	26,250	7.62
8.02	140,444	8	8.02	140,444	8.02
8.13 - 8.50	28,754	5	8.44	25,570	8.48
9.13 - 10.00	65,600	7	9.84	37,833	9.96
10.25 - 13.31	9,000	10	12.51	-	-
15.69 - 17.94	10,000	10	16.81	-	-
	-----			-----	

## 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 150,000 shares of common stock have been reserved for issuance under the plan. There are two six-month withholding periods in each fiscal year.

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 1999 and fiscal 2000, 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 No. 123, the Company's net income (loss) and net income (loss) per share for the years ended September 30, 2000, September 25, 1999, and September 26, 1998 would have decreased to the pro forma amounts indicated below:

		Fiscal 2000	Fiscal 1999	Fiscal 1998
Net income (loss):				
	As reported	\$ 4,213	\$ 2,433	\$ (1,216)
	Pro forma	3,812	2,160	(1,336)
Diluted net income (loss) per share:				
	As reported	1.21	0.69	(0.34)
	Pro forma	1.09	0.61	(0.38)

The fair value of each stock option under the 1993 and 1999 Plans are estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions: an expected life of 6 years, 7 years, and 7 years in fiscal 2000, 1999, and 1998, respectively; an average volatility of 59%, 70%, and 64% for fiscal 2000, 1999, and 1998 respectively; no dividend yield; and a risk-free interest rate of 6.32%, 6.35%, and 4.56% for fiscal 2000, 1999, and 1998 grants, respectively. The weighted-average fair values of options granted during 2000, 1999, and 1998 are \$6.05, \$4.57, and \$5.97, 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 2000, 1999, and 1998: an expected life of six months, six months and one year respectively; expected volatility of 59%, 70%, and 64% respectively; and a risk-free interest rate of 6.04%, 5.33%; and 4.59%, respectively. The weighted average fair value of those purchase rights granted in fiscal 2000, fiscal 1999, and fiscal 1998 was \$3.71, \$2.31, and \$1.98 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 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. 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 \$276,000, \$204,000, and \$160,000 for the years ended September 30, 2000, September 25, 1999, and September 26, 1998, 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 ("ESOP"). 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 become vested in their Plan benefits ratably over five years from the date of hire of the employee. The Company made a contribution of \$200,000 to the ESOP for the fiscal year ended on September 30, 2000. No shares had been purchased by the Plan at September 30, 2000.

### 14. Loans to Officers

During fiscal 2000 and fiscal 1999, certain executive officers delivered promissory notes to the Company in the principal amount of \$430,000 and \$650,000, respectively. Interest accrued on the unpaid principal at the prime rate as reported in the Wall Street Journal and was payable upon the maturity of the note. During fiscal 2000, the prime rate ranged from 8.25% to 9.50%. During fiscal 1999, the prime rate ranged from 7.75% to 8.50%. The balance on loans to officers at September 25, 1999 was \$250,000. All principal and accrued interest amounts were paid to the Company and there was no balance outstanding on September 30, 2000.

## 15. 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 ten 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 \$1,616,000, \$1,628,000, and \$1,599,000 in fiscal 2000, 1999, and 1998, respectively (net of sublease income of \$137,000, \$196,000, and \$67,000 in fiscal 2000, 1999, and 1998, respectively).

Minimum future lease payments (net of committed sublease agreements of \$135,000 for fiscal 2001, \$80,000 for fiscal 2002, \$53,000 for fiscal 2003, \$54,000 for fiscal 2004, \$55,000 for fiscal 2005 and \$119,000 thereafter) under non-cancelable operating leases for years subsequent to September 30, 2000 are as follows:

Fiscal Year -----	Operating Leases -----
2001.....	\$ 1,425,000
2002.....	932,000
2003.....	696,000
2004.....	571,000
2005.....	514,000
Thereafter.....	778,000
	-----
Total minimum lease payments.....	\$ 4,916,000 =====

In addition to the minimum operating future lease payments in the table above, on November 3, 2000, the Company entered into a ten-year lease commitment for 10,000 square feet of warehouse space with total minimum annual lease payments of \$70,000.

## 16. 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 30, 2000	September 25, 1999	September 26, 1998
	-----	-----	-----
Numerator - basic and diluted earnings per share:			
Net income from continuing operations.....	\$ 4,153	\$ 2,247	\$ 340
	=====	=====	=====
Denominator:			
Basic earnings per share - weighted average share outstanding.....	3,293,422	3,503,412	3,530,657
Effect of dilutive securities - stock options.....	196,200	43,743	8,574
	-----	-----	-----
Diluted earnings per share - weighted average shares outstanding.....	3,489,622	3,547,155	3,539,231
	=====	=====	=====
Basic earnings per share.....	\$ 1.26	\$ 0.64	\$ 0.10
Diluted earnings per share.....	\$ 1.19	\$ 0.64	\$ 0.10

For the fiscal years ended September 30, 2000, September 25, 1999, and September 26, 1998 anti-dilutive options of 5,000, 345,967, and 341,239 respectively, have been excluded from the calculation of EPS because the options' exercise price was greater than the market price of the common shares.

## 17. Segment Reporting

Business conducted by the Company can be segmented into two distinct areas determined by the distribution channel. The direct mail segment is comprised of all consumer-direct sales and sales to small businesses which are solicited via catalogs and the Company's online store - [www.GreenMountainCoffee.com](http://www.GreenMountainCoffee.com). The wholesale segment is comprised of all sales to customers who resell Green Mountain coffee either as coffee beans or brewed coffee by the cup, such as supermarkets, office coffee distributors, convenience stores, restaurants, and others. Wholesale sales are generated through the Company's direct sales force and a limited number of distributors.

Both segments of the Company sell similar products, although the entire Company product range is not fully available to both segments, and

direct mail customers do not have access to the same range of equipment service, delivery and merchandising support as wholesale customers.

Selling and operating costs directly attributable to the direct mail segment are charged accordingly while all remaining selling, operating, general and administrative expenses (including depreciation and amortization) are charged to the wholesale segment. The Company's management does not review assets by segment.

The table below discloses segment net sales and pre-tax income from continuing operations for fiscal 2000, 1999, and 1998 (in thousands):

	2000	1999	1998
	-----	-----	-----
Net sales from continuing operations			
Reportable segments:			
Wholesale.....	\$ 79,855	\$ 61,418	\$ 52,710
Direct mail.....	4,146	3,463	3,115
	-----	-----	-----
Total net sales.....	\$ 84,001	\$ 64,881	\$ 55,825
	=====	=====	=====
Pre-tax income from continuing operations			
Reportable segments:			
Wholesale.....	\$ 6,316	\$ 4,084	\$ 1,255
Direct mail.....	451	265	38
	-----	-----	-----
Operating income.....	6,767	4,349	1,293
Reconciling items:			
Other income.....	48	10	66
Interest expense.....	(583)	(736)	(821)
	-----	-----	-----
Pre-tax income.....	\$ 6,232	\$ 3,623	\$ 538
	=====	=====	=====

International sales make up less than one percent of wholesale sales in all periods presented.

#### 18. ChefExpress.net, Inc. Promissory Note

On March 21, 2000, ChefExpress.net, Inc. delivered a promissory note to the Company in the principal amount of \$100,000 bearing an annual interest rate of 8%. In the fourth quarter of fiscal 2000, The Company converted this loan into an equity investment. In addition to a minority ownership interest, the investment in the ChefExpress.net venture represents an opportunity for the Company to be prominently featured in an e-procurement website that targets to chefs in restaurants and the high-end sector of the food service channel. A board member of Green Mountain Coffee is the Chief Executive Officer and President of ChefExpress.net.

#### 19. Subsequent Event - Stock Split (Unaudited)

On December 4, 2000, the Company announced that its Board of Directors had approved a two-for-one Common Stock split effected in the form of a 100% Common Stock dividend. The record date of the dividend is December 28, 2000, and the payment date is January 11, 2001. The par value of the Common Stock remains unchanged at \$0.10 per share. The tables below display the effect of the two-for-one stock split on a proforma basis on the Company's stockholders' equity as of September 30, 2000 as well as on earnings per share (dollars in thousands):

	September 30, 2000	Proforma (unaudited)	
	-----	-----	
Common Stock, \$0.10 par value: authorized - 10,000,000 shares, issued 3,671,005 at September 30, 2000, proforma 7,342,010.....	\$ 367	\$ 734	
Additional paid-in capital.....	13,901	13,534	
Retained earnings.....	2,778	2,778	
Treasury stock.....	(7,029)	(7,029)	
	-----	-----	
Total stockholders' equity.....	\$ 10,017	\$ 10,017	
	=====	=====	
	Fiscal 2000	Fiscal 1999	Fiscal 1998
	-----	-----	-----
Basic net income (loss) per share			
As reported.....	\$ 1.28	\$ 0.69	\$ (0.34)
Proforma (unaudited).....	\$ 0.64	\$ 0.35	\$ (0.17)
Diluted net income (loss) per share			
As reported.....	\$ 1.21	\$ 0.69	\$ (0.34)
Proforma (unaudited).....	\$ 0.60	\$ 0.34	\$ (0.17)



## 20. Unaudited Quarterly Financial Data

The following table presents the quarterly information for fiscal 2000 and fiscal 1999 (dollars in thousands, except per share data). All quarters presented are made of 12 weeks except for the first fiscal quarters of fiscal 2000 and fiscal 1999 which comprise 16 weeks each, and the fourth fiscal quarter of fiscal 2000 which includes 13 weeks.

Fiscal 2000	Fiscal quarters ended			
	January 15, 2000	April 8, 2000	July 1, 2000	September 30, 2000
Net sales.....	\$ 24,742	\$ 18,259	\$ 19,668	\$ 21,332
Gross profit.....	\$ 10,046	\$ 7,269	\$ 7,759	\$ 8,462
Income from continuing operations...	\$ 1,300	\$ 615	\$ 802	\$ 1,436
Net income.....	\$ 1,300	\$ 615	\$ 802	\$ 1,496
Earnings per share				
Basic.....	\$ 0.38	\$ 0.18	\$ 0.25	\$ 0.49
Diluted.....	\$ 0.37	\$ 0.17	\$ 0.23	\$ 0.45
 Fiscal 1999	 January 16, 1999	 April 10, 1999	 July 3, 1999	 September 25, 1999
Net sales.....	\$ 20,068	\$ 14,452	\$ 14,973	\$ 15,388
Gross profit.....	\$ 7,528	\$ 5,560	\$ 6,152	\$ 6,380
Income from continuing operations...	\$ 541	\$ 358	\$ 515	\$ 833
Net income.....	\$ 541	\$ 544	\$ 515	\$ 833
Earnings per share				
Basic.....	\$ 0.15	\$ 0.16	\$ 0.15	\$ 0.24
Diluted.....	\$ 0.15	\$ 0.15	\$ 0.14	\$ 0.23

**To the Board of Directors of Green Mountain Coffee, Inc.:**

Our audits of the consolidated financial statements referred to in our report dated November 10, 2000 appearing in this Form 10-K also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

*/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
November 10, 2000*

Schedule II - Valuation and Qualifying Accounts for the fiscal years ended September 30, 2000, September 25, 1999, and September 26, 1998

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
Allowance for doubtful accounts:					
Fiscal 2000.....	\$ 190,000	\$ 361,000	-	\$ 231,000	\$ 320,000
Fiscal 1999.....	\$ 378,000	\$ 241,000	-	\$ 429,000	\$ 190,000
Fiscal 1998.....	\$ 116,000	\$ 577,000	-	\$ 315,000	\$ 378,000
Obsolete inventory valuation allowance:					
Fiscal 2000.....	\$ 136,000	\$ 77,000	-	\$ 86,000	\$ 127,000
Fiscal 1999.....	\$ 75,000	\$ 151,000	-	\$ 90,000	\$ 136,000
Fiscal 1998.....	\$ 10,000	\$ 101,000	-	\$ 36,000	\$ 75,000
Deferred tax asset valuation allowance:					
Fiscal 2000.....	\$ 2,355,000	-	-	\$ 534,000	\$ 1,821,000
Fiscal 1999.....	\$ 2,355,000	-	-	-	\$ 2,355,000
Fiscal 1998.....	\$ 2,391,000	-	-	\$ 36,000	\$ 2,355,000

**GREEN MOUNTAIN COFFEE, INC.**  
**2000 STOCK OPTION PLAN**

1. Purpose of the Plan.

The purpose of the Green Mountain Coffee, Inc. 2000 Stock Option Plan (the "Plan") is to advance the interests of Green Mountain Coffee, Inc., a Delaware corporation (the "Company"), by providing an opportunity for ownership of the stock of the Company by employees, agents and directors of, and consultants to, the Company and its subsidiaries, as defined below. By providing an opportunity for such stock ownership, the Company seeks to attract and retain such qualified personnel, and otherwise to provide additional incentive for optionees to promote the success of its business.

2. Stock Subject to the Plan.

(a) The total number of shares of the authorized but unissued or Treasury shares of the common stock, \$0.10 par value per share, of the Company (the "Common Stock") for which options may be granted under the Plan (the "Options") shall be 400,000, subject to adjustment as provided in Section 13 hereof.

(b) If an Option granted or assumed hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for subsequent Option grants under the Plan.

(c) Stock issuable upon exercise of an Option may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Board of Directors of the Company (the "Board").

3. Administration of the Plan.

The Plan shall be administered by the Board. No member of the Board shall act upon any matter exclusively affecting any Option granted or to be granted to himself or herself under the Plan. A majority of the members of the Board shall constitute a quorum, and any action may be taken by a majority of those present and voting at any meeting. The decision of the Board as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Board, in its sole discretion, may grant Options to purchase shares of the Common Stock, and the Board shall issue shares upon exercise of such Options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective Option agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective Option agreements, which may but need not be identical, and to make all other determinations in the judgment of the Board necessary or desirable for the administration of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option agreement in the manner and to the extent it shall deem expedient to implement the Plan and shall be the sole and final judge of such expediency. No director shall be liable for any action or determination made in good faith. The Board, in its discretion, may delegate its power, duties and responsibilities to a committee, consisting of two or more members of the Board, all of whom are "disinterested persons" (as hereinafter defined). If a committee is so appointed, all references to the Board herein shall mean and relate to such committee, unless the context otherwise requires.

4. Type of Options.

Options granted pursuant to the Plan shall be authorized by action of the Board and may be designated as either incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options which are not intended to meet the requirements of such Section 422 of the Code, the designation to be in the sole discretion of the Board. Options designated as incentive stock options that fail to continue to meet the requirements of Section 422 of the Code shall be redesignated as non-qualified options automatically without further action by the Board on the date of such failure to continue to meet the requirements of Section 422 of the Code.

5. Eligibility.

Options designated as incentive stock options may be granted to any employees of the Company or any subsidiary corporation (herein called "subsidiary" or "subsidiaries"), as defined in Section 424(f) of the Code and the Treasury regulations promulgated thereunder (the "Regulations"). Directors who are not otherwise employees of the Company or a subsidiary shall not be eligible to be granted incentive stock options pursuant to the Plan. Options designated as non-qualified options may be granted to (i) officers and key employees of the Company or of any of its subsidiaries, or (ii) agents, directors of and consultants to the Company, whether or not otherwise employees of the Company.

In determining the eligibility of an individual to be granted an Option, as well as in determining the number of shares to be optioned to any individual, the Board shall take into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of his or her service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Board may deem relevant.

6. Restrictions on Incentive Stock Options.

Incentive stock options (but not non-qualified options) granted under this Plan shall be subject to the following restrictions:

(a) Limitation on Number of Shares. Ordinarily, the aggregate fair market value of the shares of Common Stock with respect to which incentive stock options are granted (determined as of the date the incentive stock options are granted), exercisable for the first time by an individual during any calendar year shall not exceed \$100,000. If an incentive stock option is granted pursuant to which the aggregate fair market value of shares with respect to which it first becomes exercisable in any calendar year by an individual exceeds such \$100,000 limitation, the portion of such option which is in excess of the \$100,000 limitation shall be treated as a non-qualified option pursuant to Section 422(d)(1) of the Code. In the event that an individual is eligible to participate in any other stock option plan of the Company or any subsidiary of the Company which is also intended to comply with the provisions of Section 422 of the Code, such \$100,000 limitation shall apply to the aggregate number of shares for which incentive stock options may be granted under this Plan and all such other plans.

(b) Ten Percent (10%) Shareholder. If any employee to whom an incentive stock option is granted pursuant to the provisions of this Plan is on the date of grant the owner of stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary of the Company, then the following special provisions shall be applicable to the incentive stock options granted to such individual:

(i) The Option price per share subject to such incentive stock options shall be not less than 110% of the fair market value of the stock determined at the time such Option was granted. In determining the fair market value under this clause (i), the provisions of Section 8 hereof shall apply.

(ii) The incentive stock option by its terms shall not be exercisable after the expiration of five (5) years from the date such option is granted.

## 7. Option Agreement.

Each Option shall be evidenced by an Option agreement (the "Agreement") duly executed on behalf of the Company and by the optionee to whom such Option is granted, which Agreement shall comply with and be subject to the terms and conditions of the Plan. The Agreement may contain such other terms, provisions and conditions which are not inconsistent with the Plan as may be determined by the Board; provided that Options designated as incentive stock options shall meet all of the conditions for incentive stock options as defined in Section 422 of the Code. No Option shall be granted within the meaning of the Plan and no purported grant of any Option shall be effective until the Agreement shall have been duly executed on behalf of the Company and the optionee. More than one Option may be granted to an individual.

## 8. Option Price.

(a) The Option price or prices of shares of the Common Stock for Options designated as non-qualified stock options shall be as determined by the Board as of the date of grant of such Option.

(b) Subject to the conditions set forth in Section 6(b) hereof, the Option price or prices of shares of the Company's Common Stock for incentive stock options shall be at least the fair market value of such Common Stock at the time the Option is granted as determined by the Board in accordance with the Regulations promulgated under Section 422 of the Code.

(c) If such shares are then listed on any national securities exchange, the fair market value shall be the last sales price on the largest such exchange on the date of the grant of the Option or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the last sales price as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the date of the grant of the Option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant. If the shares are not then either listed on any such exchange or quoted in NASDAQ, the fair market value shall be the mean between the average of the "Bid" and "Ask" price quotations on the National Daily Quotation Service for the date of the grant of the Option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales prices on the nearest date before and the nearest date after the date of grant. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Board.

## 9. Manner of Payment: Manner of Exercise.

(a) Options granted under the Plan may provide for the payment of the exercise price by delivery of (i) cash or a check payable to the order of the Company in an amount equal to the exercise price of such Options, (ii) shares of Common Stock owned by the optionee having a fair market value equal in amount to the exercise price of the Options being exercised, or (iii) any combination of

(i) and (ii); provided, however, that payment of the exercise price by delivery of shares of Common Stock owned by such optionee may be made only upon the condition that such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board, unless such condition is waived by the Board. The fair market value of any shares of Common Stock which may be delivered upon exercise of an Option shall be determined by the Board in accordance with Section 8 hereof.

(b) To the extent that the right to purchase shares under an Option has accrued and is in effect, Options may be exercised in full at one time or in part from time to time, by giving written notice, signed by the person or persons exercising the Option, to the Company, stating the number of shares with respect to which the Option is being exercised, accompanied by payment in full for such shares as provided in subparagraph (a) above. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company to the person or persons exercising the Option at such time, during ordinary business hours, after thirty (30) days but not more than ninety (90) days from the date of receipt of the notice by the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the Option.

## 10. Exercise of Options.

Each Option granted under the Plan shall, subject to Section 11 (b) and Section 13 hereof, be exercisable at such time or times and during such period as shall be set forth in the Agreement; provided, however, that no Option granted under the Plan shall have a term in excess of ten (10) years from the date of grant. To the extent that an Option to purchase shares is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. No partial exercise may be made for less than twenty five(25) full shares of Common Stock.

## 11. Term of Options: Exercisability.

(a) Term.

(i) Each Option shall expire on a date determined by the Board which is not more than ten (10) years from the date of the granting thereof, except (a) as otherwise provided pursuant to the provisions of Section 6(b) hereof, and (b) for earlier termination as herein provided.

(ii) Except as otherwise provided in this Section 11, an Option granted to any optionee whose employment, for the Company or any of its subsidiaries, is terminated, shall terminate on the earlier of ninety days after the date such optionee's employment, for the Company or any such subsidiary, is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the employment of an optionee is terminated by the Company or any of its subsidiaries for cause or because the optionee is in breach of any employment agreement, such Option will terminate on the date the optionee's employment is terminated by the Company or any such subsidiary.

(iv) If the employment of an optionee is terminated by the Company or any of its subsidiaries because the optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such optionee's employment, for the Company or any such subsidiary, is terminated, or (ii) the date on which the Option expires by its terms.

(v) In the event of the death of any optionee, any Option granted to such optionee shall terminate one year after the date of death, or on the date on which the Option expires by its terms, whichever occurs first.

(b) Exercisability.

(i) Except as provided below, an Option granted to an optionee whose employment, for the Company or any of its subsidiaries, is terminated, shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date such optionee's employment, for the Company or any such subsidiary, is terminated.

(ii) An Option granted to an optionee whose employment is terminated by the Company or any of its subsidiaries because he or she has become permanently disabled, as defined above, shall be immediately exercisable as to the full number of shares covered by such Option, whether or not under the provisions of Section 10 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of an optionee, the Option granted to such optionee may be exercised as to the full number of shares covered thereby, whether or not under the provisions of Section 10 hereof the optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such optionee.

12. Options Not Transferable.

The right of any optionee to exercise any Option granted to him or her shall not be assignable or transferable by such optionee other than by will or the laws of descent and distribution, and any such Option shall be exercisable during the lifetime of such optionee only by him or her. Any Option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee to whom the Option is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation, any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such Option.

13. Recapitalization, Reorganizations and the Like.

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which Options may be granted under the Plan and as to which outstanding Options or portions thereof then unexercised shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event; such adjustment in outstanding Options shall be made without change in the total price applicable to the unexercised portion of such Options and with a corresponding adjustment in the Option price per share.

In addition, in the case of any (i) sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (ii) Change in Control (as hereinafter defined) of the Company, the purchaser(s) of the Company's assets or stock, in his, her or its sole discretion, may deliver to the optionee the same kind of consideration that is delivered to the shareholders of the Company as a result of such sale, conveyance or Change in Control, or the Board, in its sole discretion, may cancel all outstanding Options in exchange for consideration in cash or in kind, which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the optionee would have received had the Option been exercised (whether or not then exercisable) and had no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the Option price therefor. Upon receipt of such consideration, all Options (whether or not then exercisable) shall immediately terminate and be of no further force or effect. The value of the stock or other securities the optionee would have received if the Option had been exercised shall be determined in good faith by the Board, and in the case of shares of Common Stock, in accordance with the provisions of Section 8 hereof.

Any Options that are not yet exercisable, notwithstanding any limitations in this Plan or in the Agreement shall become immediately exercisable upon such a sale, conveyance or Change in Control. Upon such acceleration, any Options or portion thereof originally designated as incentive stock options that no longer qualify as incentive stock options under Section 422 of the Code as a result of such acceleration shall be redesignated as non-qualified stock options.

A "Change in Control" shall be deemed to have occurred if any person, or any two or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than fifty percent (50%) of the then outstanding Common Stock, shall acquire such additional shares of Common Stock in one or more transactions, or series of transactions, such that following such transaction or transactions, such person or group and affiliates beneficially own fifty percent (50%) or more of the Common Stock outstanding.

Upon dissolution or liquidation of the Company, all Options granted under this Plan shall terminate, but each optionee (if at such time in the employ of or otherwise associated with the Company or any of its subsidiaries as a director, agent or consultant) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her Option to the extent then exercisable.

If by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, the Board shall authorize the issuance or assumption of a stock option or stock options in a transaction to which Section 424(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Board may grant an option or options upon such terms and conditions as it may deem appropriate for the purpose of assumption of the old Option, or substitution of a new option for the old Option, in conformity with the provisions of such Section 424(a) of the Code and the Regulations thereunder, and any such option shall not reduce the number of shares otherwise available for issuance under the Plan.

No fraction of a share shall be purchasable or deliverable upon the exercise of any Option, but in the event any adjustment hereunder in the number of shares covered by the Option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

#### 14. No Special Employment Rights.

Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Option holder any right with respect to the continuation of his or her employment by the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Option holder from the rate in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Board at the time of such occurrence.

#### 15. Withholding.

The Company's obligation to deliver shares upon the exercise of any non-qualified Option granted under the Plan shall be subject to the Option holder's satisfaction of all applicable Federal, state and local income and employment tax withholding requirements. The Company and optionee may agree to withhold shares of Common Stock purchased upon exercise of an Option to satisfy the above-mentioned withholding requirements.

## 16. Restrictions on Issuance of Shares.

(a) Notwithstanding the provisions of Section 9, the Company may delay the issuance of shares covered by the exercise of an Option and the delivery of a certificate for such shares until one of the following conditions shall be satisfied:

(i) The shares with respect to which such Option has been exercised are at the time of the issue of such shares effectively registered or qualified under applicable Federal and state securities acts now in force or as hereafter amended; or

(ii) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration and qualification under applicable Federal and state securities acts now in force or as hereafter amended.

(b) It is intended that all exercises of Options shall be effective, and the Company shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to qualify shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares in respect of which any Option may be exercised, except as otherwise agreed to by the Company in writing in its sole discretion.

## 17. Purchase for Investment: Rights of Holder on Subsequent Registration.

Unless and until the shares to be issued upon exercise of an Option granted under the Plan have been effectively registered under the 1933 Act, as now in force or hereafter amended, the Company shall be under no obligation to issue any shares covered by any Option unless the person who exercises such Option, in whole or in part, shall give a written representation and undertaking to the Company which is satisfactory in form and scope to counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the Option for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any such shares, and that he or she will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the 1933 Act, or any other applicable law, and that if shares are issued without such registration, a legend to this effect may be endorsed upon the securities so issued.

In the event that the Company shall, nevertheless, deem it necessary or desirable to register under the 1933 Act or other applicable statutes any shares with respect to which an Option shall have been exercised, or to qualify any such shares for exemption from the 1933 Act or other applicable statutes, then the Company may take such action and may require from each optionee such information in writing for use in any registration statement, supplementary registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

## 18. Loans.

At the discretion of the Board, the Company may loan to the optionee some or all of the purchase price of the shares acquired upon exercise of an Option.

## 19. Modification of Outstanding Options.

Subject to any applicable limitations contained herein, the Board may authorize the amendment of any outstanding Option with the consent of the optionee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of the Plan.

## 20. Approval of Stockholders.

The Plan shall become effective upon adoption by the Board; provided, however, that the Plan shall be submitted for approval by the stockholders of the Company no later than twelve (12) months after the date of adoption of the Plan by the Board. Should the stockholders of the Company fail to approve the Plan within such twelve-month period, all Options granted thereunder shall be and become null and void. Notwithstanding anything else to the contrary in this Plan, no option may be exercised until the stockholders have approved this Plan.

## 21. Termination and Amendment of Plan.

Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly adopted by the Board of the Company. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable; provided, however, (i) the Board may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 20, increase the maximum number of shares for which Options may be granted or change the designation of the class of persons eligible to receive Options under the Plan, and (ii) any such modification or amendment of the Plan shall be approved by a majority of the stockholders of the Company to the extent that such stockholder approval is necessary to comply with applicable provisions of the Code, rules promulgated pursuant to Section 16 of the Exchange Act, applicable state law, or applicable NASD or exchange listing requirements. Termination or any

modification or amendment of the Plan shall not, without the consent of an optionee, affect his or her rights under an Option theretofore granted to him or her.

## 22. Limitation of Rights in the Option Shares.

An optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Options except to the extent that the Option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

## 23. Notices.

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to the Company, to the attention of the President at the Company's principal place of business; and, if to an optionee, to his or her address as it appears on the records of the Company.

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

*GREEN MOUNTAIN COFFEE, INC.*

*By: /s/ Robert P. Stiller*  
-----  
*Robert P. Stiller*  
*President*

*OPTIONEE*

*Robert D. Britt*  
-----  
*Optionee*

*10,000*  
-----  
*Number of Shares*

*\$18.875*  
-----  
*Purchase Price Per Share*

*October 2, 2010*  
-----  
*Expiration Date*

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

*GREEN MOUNTAIN COFFEE, INC.*

By: */s/ Robert P. Stiller*  
-----  
*Robert P. Stiller*  
*President*

*OPTIONEE*

*Agnes Cook*  
-----  
*Optionee*  
  
*5,000*  
-----  
*Number of Shares*  
  
*\$18.875*  
-----  
*Purchase Price Per Share*  
  
*October 2, 2010*  
-----  
*Expiration Date*

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

*GREEN MOUNTAIN COFFEE, INC.*

By: */s/ Robert P. Stiller*  
-----  
*Robert P. Stiller*  
*President*

*OPTIONEE*

*Jonathan C. Wettstein*

-----  
*Optionee*

*10,000*

-----  
*Number of Shares*

*\$18.875*

-----  
*Purchase Price Per Share*

*October 2, 2010*

-----  
*Expiration Date*

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

GREEN MOUNTAIN COFFEE, INC.

OPTIONEE

By: /s/ Robert P. Stiller  
-----  
Robert P. Stiller  
President

Paul Comey  
-----  
Optionee  
  
5,000  
-----  
Number of Shares

\$18.875  
-----  
Purchase Price Per Share

October 2, 2010  
-----  
Expiration Date

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

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IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

*GREEN MOUNTAIN COFFEE, INC.*

By: */s/ Robert P. Stiller*  
-----  
*Robert P. Stiller*  
*President*

*OPTIONEE*

*James Prevo*  
-----  
*Optionee*

*10,000*  
-----  
*Number of Shares*

*\$18.875*  
-----  
*Purchase Price Per Share*

*October 2, 2010*  
-----  
*Expiration Date*

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

GREEN MOUNTAIN COFFEE, INC.

OPTIONEE

By: /s/ Robert P. Stiller  
-----  
Robert P. Stiller  
President

Stephen Sabol  
-----  
Optionee

10,000  
-----  
Number of Shares

\$18.875  
-----  
Purchase Price Per Share

October 2, 2010  
-----  
Expiration Date

**GREEN MOUNTAIN COFFEE, INC.**  
**STOCK OPTION AGREEMENT UNDER 2000 STOCK OPTION PLAN**  
**INCENTIVE STOCK OPTION**

October 2, 2000

AGREEMENT entered into by and between Green Mountain Coffee, Inc., a Delaware corporation with its principal place of business in Waterbury, Vermont (together with its subsidiaries, the "Company"), and the undersigned employee of the Company (the "Optionee").

The Company desires to grant the Optionee an incentive stock option under the Company's 2000 Stock Option Plan, as amended (the "Plan") to acquire shares of the Company's Common Stock, par value \$.10 per share (the "Shares").

The Plan provides that each option is to be evidenced by an option agreement, setting forth the terms and conditions of the option.

ACCORDINGLY, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and the Optionee hereby agree as follows:

1. Grant of Option.

The Company hereby grants to the Optionee incentive stock options (collectively, the "Option") to purchase all or any part of the number of Shares shown at the end of this Agreement on the terms and conditions hereinafter set forth. This Option is intended to be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price.

The purchase price ("Purchase Price") for the Shares covered by the Option shall be the dollar amount per Share set forth at the end of this Agreement.

3. Time of Exercise of Option.

This Option shall be first exercisable as to 25% of the Shares on each of the first four anniversary dates of this Agreement.

To the extent the Option is not exercised by the Optionee when it becomes exercisable, it shall not expire, but shall be carried forward and shall be exercisable, on a cumulative basis, until the Expiration Date, as hereinafter defined.

4. Term of Options; Exercisability.

(a) Term.

(i) Each Option shall expire on the date shown at the end of this Agreement (the "Expiration Date"), as determined by the Board of Directors of the Company (the "Board").

(ii) Except as otherwise provided in this Section 4, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall terminate on the earlier of ninety days after the date the Optionee's employment by the Company is terminated, or (ii) the date on which the Option expires by its terms.

(iii) If the Optionee's employment is terminated by the Company for cause or because the Optionee is in breach of any employment agreement, such Option will terminate on the date the Optionee's employment is terminated by the Company.

(iv) If the Optionee's employment is terminated by the Company because the Optionee has become permanently disabled (within the meaning of Section 22(e)(3) of the Code), such Option shall terminate on the earlier of (i) one year after the date such Optionee's employment by the Company is terminated, or (ii) the date on which the option expires by its terms.

(v) In the event of the death of the Optionee, the Option granted to such Optionee shall terminate on the earlier of (i) one year after the date such optionee's employment by the Company is terminated; or (ii) the date on which the option expires by its terms.

(b) Exercisability.

(i) Except as provided below, if the Optionee's employment by the Company is terminated, the Option granted to the Optionee hereunder shall be exercisable only to the extent that the right to purchase shares under such Option has accrued and is in effect on the date the Optionee's employment by the Company is terminated.

(ii) If the Optionee's employment is terminated by the Company because he or she has become permanently disabled, as defined above, the option granted to the Optionee hereunder shall be immediately exercisable as to the full number of Shares covered by such Option, whether or not under the provisions of

Section 3 hereof such Option was otherwise exercisable as of the date of disability.

(iii) In the event of the death of the Optionee, the Option granted to such Optionee may be exercised to the full number of Shares covered thereby, whether or not under the provisions of Section 3 hereof the Optionee was entitled to do so at the date of his or her death, by the executor, administrator or personal representative of such Optionee, or by any person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such Optionee.

#### 5. Manner of Exercise of Option.

(a) To the extent that the right to exercise the Option has accrued and is in effect, the option may be exercised in full or in part by giving written notice to the Company stating the number of Shares exercised and accompanied by payment in full for such Shares. No partial exercise may be made for less than twenty-five (25) full shares of Common Stock. Payment may be either wholly in cash or in whole or in part in Shares already owned by the person exercising the Option, valued at fair market value as of the date of exercise; provided, however, that payment of the exercise price by delivery of Shares already owned by the person exercising the Option may be made only if such payment does not result in a charge to earnings for financial accounting purposes as determined by the Board. Upon such exercise, delivery of a certificate for paid-up, non-assessable Shares shall be made at the principal office of the Company to the person exercising the option, not less than thirty (30) and not more than ninety (90) days from the date of receipt of the notice by the Company.

(b) The Company shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Option.

#### 6. Non-Transferability.

The right of the Optionee to exercise the option shall not be assignable or transferable by the Optionee otherwise than by will or the laws of descent and distribution, and the Option may be exercised during the lifetime of the Optionee only by him or her. The Option shall be null and void and without effect upon the bankruptcy of the Optionee or upon any attempted assignment or transfer, except as hereinabove provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process or similar process, whether legal or equitable, upon the Option.

#### 7. Representation Letter and Investment Legend.

(a) In the event that for any reason the Shares to be issued upon exercise of the Option shall not be effectively registered under the Securities Act of 1933, as amended (the "1933 Act"), upon any date on which the option is exercised in whole or in part, the person exercising the Option shall give a written representation to the Company in the form attached hereto as Exhibit 1 and the Company shall place an "investment legend", so-called, as described in Exhibit 1, upon any certificate for the Shares issued by reason of such exercise.

(b) The Company shall be under no obligation to qualify Shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purposes of covering the issue of Shares.

#### 8. Adjustments on Changes in Capitalization.

Adjustments on changes in capitalization and the like shall be made in accordance with the Plan, as in effect on the date of this Agreement.

#### 9. No Special Employment Rights.

Nothing contained in the Plan or this Agreement shall be construed or deemed by any person under any circumstances to bind the Company to continue the employment of the Optionee for the period within which this Option may be exercised. However, during the period of the Optionee's employment, the Optionee shall render diligently and faithfully the services which are assigned to the Optionee from time to time by the Board or by the executive officers of the Company and shall at no time take any action which directly or indirectly would be inconsistent with the best interests of the Company.

#### 10. Rights as a Shareholder.

The Optionee shall have no rights as a shareholder with respect to any Shares which may be purchased by exercise of this option unless and until a certificate or certificates representing such Shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 11. Withholding Taxes.

Whenever Shares are to be issued upon exercise of this Option, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy all Federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. The Company may agree to permit the Optionee to withhold Shares purchased upon exercise of this Option to satisfy the above-mentioned withholding requirement.

IN WITNESS HEREOF, the Company has caused this Agreement to be executed, and the Optionee has hereunto set his or her hand and seal, all as of the day and year first above written.

*GREEN MOUNTAIN COFFEE, INC.*

By: /s/ Robert P. Stiller  
-----  
Robert P. Stiller  
President

*OPTIONEE*

Kevin McBride  
-----  
Optionee  
  
5,000  
-----  
Number of Shares  
  
\$18.875  
-----  
Purchase Price Per Share  
  
October 2, 2010  
-----  
Expiration Date

**Green Mountain Coffee, INC.**  
**EMPLOYEE STOCK OWNERSHIP PLAN**

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**GREEN MOUNTAIN COFFEE, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN**

## SECTION 1 Background of Plan

### 1.1 History and Purpose

Green Mountain Coffee, Inc., a Delaware corporation (the "Company") established the Green Mountain Coffee, Inc. Employee Stock Ownership Plan (the "Plan") effective as of January 1, 2000 to enable eligible employees to acquire stock ownership interests in the Company by investing primarily in Company Stock (as defined in subsection 5.1). The Plan is intended to be an employee stock ownership plan within the meaning of section 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the "Code") and is intended to enable eligible employees to acquire stock ownership interests in the Company, by investing primarily in Company Stock. The Plan is specifically permitted and designed to invest up to 100% of its assets in Company Stock.

### 1.2 Effective Date; Plan Year

The Effective Date of the Plan is January 1, 2000 (the "Effective Date"). The Plan will be administered on the basis of a plan year (the "Plan Year") which shall be the twelve-month period beginning each January 1 and ending the following December 31.

### 1.3 Trustee; Trust Agreement

Amounts contributed under the Plan are held and invested, until distributed by the trustee (the "Trustee") appointed by the Company acting by its Board of Directors. The Trustee acts in accordance with the terms of a trust agreement between the Company and the Trustee, which trust agreement is known as the Green Mountain Coffee, Inc. Employee Stock Ownership Trust (the "Trust"). The Trust implements and forms a part of the Plan. The provisions of and benefits under the Plan are subject to the terms and provisions of the Trust.

### 1.4 Plan Administration

The Plan is administered by a plan committee consisting of three or more persons appointed by the Company to perform administrative tasks (the "Administrator") as described in Section 17. Any notice or document required to be given to or filed with the Administrator will be properly given or filed if delivered or mailed, by registered or certified mail, postage prepaid, to the Administrator, in care of the Company at its corporate headquarters. The Company shall designate an individual or entity to serve as the Named Fiduciary (as defined in Section 402(a)(2) of ERISA) of the Plan, subject to Section 13(b) of the Plan.

### 1.5 Employers

Any Controlled Group Member described in subparagraph (a), (b) or (c) of this subsection with respect to the Company may adopt the Plan with the Company's consent. The Company, Green Mountain Coffee Roasters, Inc., a Vermont corporation, and any such other Controlled Group Members that adopt the Plan are referred to below collectively as the "Employers" and sometimes individually as an "Employer." A "Controlled Group Member" means:

(a) any corporation that is not an Employer but is a member of a controlled group of corporations (within the meaning of Section 1563(a) of the Code, determined without regard to Sections 1563(a)(4) and 1563(e)(3)(C) thereof) that contains the Company;

(b) any trade or business (whether or not incorporated) that is not an Employer but is under common control with the Company (within the meaning of Section 414(c) of the Code); or

(c) any entity that is affiliated with the Company under Section 414(m) of the Code.

### 1.6 Predecessor Plans

Any other qualified profit sharing, stock bonus, or money purchase pension plan qualified under Section 401(a) of the Code and maintained by an Employer may, with the consent of the Company, be merged into, and continued in the form of, the Plan. Any such plan merged into, and continued in the form of this Plan shall be referred to as a "Predecessor Plan." Special provisions relating to Participants in the Plan who were Participants in a Predecessor Plan shall be set forth in one or more supplements to the Plan.

### 1.7 Plan Supplements

The provisions of the Plan may be modified by supplements to the Plan. The terms and provisions of each supplement are a part of the Plan and supersede the provisions of the Plan to the extent necessary to eliminate inconsistencies between the Plan and such supplement.

## SECTION 2 Eligibility and Participation

### 2.1 Eligibility to Participate

(a) Subject to the terms and conditions of subparagraphs

(a)(i), (ii) and (iii) below and subsection (b), each employee who is employed by an Employer on the Effective Date and has attained age 21, shall become a "Participant" in the Plan on the Effective Date. Each other employee will become a "Participant" in the Plan on the "Entry Date," which is January 1, April 1, July 1, and October 1 of each Plan Year, coincident with or next following the date on which the employee has attained age 21, provided he is not:

(i) a member of a group or class of employees of an Employer whose terms and conditions of employment are covered by a collective bargaining agreement, provided that retirement benefits were the subject of good faith bargaining between an Employer and a collective bargaining representative;

(ii) a Leased Employee (as defined in subsection 2.3);

(iii) an employee classified as a temporary employee, as defined by the Employer and in accordance with the Employer's payroll practices; or

(iv) an employee who is a nonresident alien.

(b) For all purposes of the Plan, an individual shall be an "employee" of or be "employed" by a Controlled Group Member for any Plan Year only if such individual is treated by the Controlled Group Member as an employee for purposes of employment taxes and wage withholding for federal income taxes. If an individual is not considered to be an "employee" of a Controlled Group Member in accordance with the preceding sentence for a Plan Year, a subsequent determination by the Controlled Group Member, any governmental agency or court that the individual is a common law employee of the Controlled Group Member, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

(c) Any Participant who terminates employment, but is reemployed by an Employer before incurring a One Year Break in Service (as defined in subsection 3.3), shall continue to participate in the Plan in the same manner as if such termination had not occurred, effective as of the date of reemployment. Any participant who terminates employment, but is reemployed by an Employer after incurring a One Year Break in Service shall become a participant in the Plan on the Entry date succeeding his or her date of rehire.

### 2.2 Participation Not Guarantee of Employment

Participation in the Plan does not constitute a guarantee or contract of employment and will not give any employee the right to be retained in the employ of the Employers or Related Companies nor any right or claim to any benefit under the terms of the Plan unless such right or claim has specifically accrued under the terms of the Plan.

### 2.3 Leased Employees

A "Leased Employee" means any person defined in Code Section

414(n), which includes any person who is not an employee of a Controlled Group Member, but who has provided services to a Controlled Group Member, which services are performed under the primary direction or control of the Controlled Group Member, on a substantially full-time basis for a period of at least one year, pursuant to an agreement between the Controlled Group Member and a leasing organization. If a Leased Employee is subsequently employed by an Employer, the period during which a Leased Employee performs services for a Controlled Group Member shall be taken into account for purposes of subsection 3.1 of the Plan.

### 2.4 Military Service

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u). A Participant returning from employment after serving in the uniformed services is treated as not having incurred a One Year Break In Service (as defined in subsection 3.3) during the period of qualified military service, as defined herein. Each period of qualified military service is considered under the Plan to be service with the Employer for the purposes of:

(a) determining the nonforfeitability of the Participant's Account balances, in accordance with the provisions of Section 10 of the Plan; and

(b) determining the Participant's benefit allocations under Section 4.

### 2.5 Omission of Eligible Employee

If, in any Plan Year, any employee who should be included as a Participant in the Plan is erroneously omitted, and discovery of such omission is not made until after a contribution by the Employer for the Plan Year has been made, the Employer shall make a subsequent contribution with respect to the omitted employee in the amount which the Company would have contributed if he or she had not been omitted. Such

contribution shall be made regardless of whether or not it is deductible in whole or in part in any taxable year under applicable provisions of the Code.

## 2.6 Inclusion of Ineligible Employee

If, in any Plan Year, any employee who should not have been included as a Participant in the Plan is erroneously included, and discovery of such incorrect inclusion is not made until after a contribution by the Company for the year has been made, the Company shall not be entitled to recover the contribution made with respect to the ineligible employee regardless of whether a deduction is allowable with respect to such contribution. In such event, the amount contributed with respect to the ineligible employee shall constitute a forfeiture for the Plan Year in which the discovery is made.

## SECTION 3 Service and Compensation

### 3.1 Years of Service

The term "Years of Service" means an employee's or Participant's period of service with the Controlled Group Members determined in accordance with the following:

- (a) An Employee or Participant shall be credited with one "Year of Service" for each 12-month period of his service with a Controlled Group Member beginning with his or her Employment Date (as defined below) and ending with the anniversary date of his or her Employment Date (as defined below) (the "Vesting Computation Period") during which the Employee or Participant completes 1,000 Hours of Service.
- (b) An Employee' or Participant's "Employment Date" means the date he or she first completes an Hour of Service.
- (c) Years of Service shall include service performed for an Employer prior to the effective date of the Plan and shall include service regardless of age.
- (d) For purposes of vesting under subsection 10.2, a Participant will be credited with a Year of Service immediately upon completing 1,000 Hours of Service during his Vesting Computation Period.
- (e) If any former Participant is reemployed after a One Year Break in Service has occurred, Years of Service shall include Years of Service prior to his One Year Break in Service, subject to the following rules:
  - (i) If a former Participant has a One Year Break in Service, his pre-break and post-break service shall be used for computing Years of Service for vesting purposes after he has been employed for one (1) Year of Service following the date of his reemployment with an Employer;
  - (ii) Any former Participant who under the Plan does not have a nonforfeitable right to any interest in the Plan resulting from Employer Contributions shall lose credits otherwise allowable under (i) above if his consecutive One Year Breaks in Service equal or exceed the greater of (A) five (5) or (B) the aggregate number of his pre-break Years of Service; and
  - (iii) After five (5) consecutive One Year Breaks in Service, a former Participant's vested balance of his Accounts attributable to pre-break service shall not be increased based on his post-break service.

### 3.2 Hour of Service

Subject to the following provisions of this subsection 3.2, the term "Hour of Service" means, with respect to any employee or Participant, (1) each hour for which the employee or Participant is directly or indirectly paid or entitled to payment by a Controlled Group Member for the performance of duties; (2) each hour for which the employee or Participant is directly or indirectly paid or entitled to payment by a Controlled Group Member for reasons other than the performance of duties (such as vacation, holiday, sickness, jury duty, disability, lay-off, military duty or leave of absence); and (3) each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by an Employer. These hours will be credited to the employee or Participant for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made. The same Hours of Service shall not be credited both under (1) or (2), as the case may be, and under (3). An employee or Participant will be credited with 8 Hours of Service per day (to a maximum of 40 Hours of Service per week). All Hours of Service shall be determined and credited in accordance with Department of Labor Reg. Sec. 2530.200b-2.

An employee or Participant shall not be credited with more than 501 Hours of Service for any single continuous period during which he performs no duties for an Employer or a Controlled Group Member. Payments considered for purposes of the foregoing shall include payments unrelated to the length of the period during which no duties are performed but shall not include payments made solely as reimbursement for medically related expenses or solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws.

### 3.3 One Year Break in Service

The term "One Year Break in Service" means any Vesting Computation Period during which an employee or a Participant does not complete more than 500 Hours of Service.

To the extent necessary to avoid a One Year Break in Service and to the extent Hours of Service are not otherwise credited as provided in subsection 3.2, an employee or Participant shall be credited with up to 501 Hours of Service during a Vesting Computation Period on account of an absence during such Vesting Computation Period due to:

- (a) the pregnancy of the employee or Participant;
- (b) the birth of a child of the employee or Participant;
- (c) the placement of a child with the employee or Participant in connection with the adoption of such child by such employee or Participant; and
- (d) caring for such child for a period beginning immediately following such birth or placement.

### 3.4 Compensation

Except as otherwise provided below, a Participant's "Compensation" for a Plan Year means compensation as defined in Code Section 415, including the compensation paid to the Participant for services rendered to an Employer as an employee as reported on the Participant's Federal wage and tax statement (Form W-2), compensation for services paid on the basis of profits and all of a Participant's salary reductions made pursuant to an arrangement maintained by an Employer under Section 125 or 401(k) of the Code during the Plan Year, but excluding, if applicable, amounts attributable to moving expenses, amounts realized from the exercise of a non-qualified stock option or the disposition of stock under a qualified stock option, and other amounts which receive special tax benefits, or contributions made by the employee under a Code Section 403(b) Plan.

For a Participant's initial year of participation, Compensation shall be recognized for the entire Plan Year. In no event shall the amount of a Participant's Compensation taken into account for purposes of the Plan for any Plan Year exceed the dollar limitation in effect under Code Section 401(a)(17) (as that limitation is adjusted from time to time by the Secretary of the Treasury pursuant to Code Section 401(a)(17) and which is \$170,000 for the 2000 Plan Year).

## SECTION 4 Employer Contributions

### 4.1 Employer Contributions

Subject to the conditions and limitations of the Plan, the Company, in its sole discretion, may direct the Employers to make a contribution (the "Employer Contribution") to the Plan for any Plan Year. Any such Employer Contribution for a Plan Year shall be made in such amount, if any, as determined by the Company prior to the end of the Plan Year or within a reasonable period of time after the end of the Plan Year. Any Employer Contribution for a Plan Year shall be allocated to the ESOP Stock Account or ESOP Cash Account, as applicable, of any Eligible Participant (as defined in the next sentence) pro rata on the basis of Participants' Compensation for such Plan Year. An "Eligible Participant" for a Plan Year is any Participant who completes 1,000 Hours of Service during the Plan Year and is actively employed by an Employer or on an Employer's authorized leave of absence on the last day of the Plan Year (or who terminated employment during the Plan Year due to death, permanent disability or after attaining age 65).

Contributions under this subsection 4.1 shall be made in cash or in Company Stock (in the discretion of the Company) as of the last day of the Plan Year.

No contributions, including rollover contributions, will be permitted by employees or Participants.

### 4.2 Due Date for Employer Contributions

Any Employer Contributions for a Plan Year shall be due on the last day of the Plan Year and, if not paid by the end of that Plan Year, shall be payable to the Trustee as soon as practicable thereafter, without interest, but not later than the time prescribed by law for filing the Company's Federal income tax return for such Plan Year, including extensions thereof.

### 4.3 Payment of Acquisition Loans; Employer Loan Contributions

For each Accounting Period during which an Acquisition Loan (as defined in subsection 5.2) is outstanding, the Trustee shall use any Employer Contributions made for such Accounting Period pursuant to subsection 4.1 to make principal and interest payments then due on the Acquisition Loan or loans outstanding at the end of such Accounting Period. Each such payment by the Trustee will release shares of Company Stock from the Unreleased Share Account of the Trust (as defined in subsection 7.2). Company Stock that is so released will be allocated to

Participants' ESOP Stock Accounts as provided in subsection 4.1 as determined by the Administrator.

Subject to the conditions and limitations of the Plan, if, as of any Accounting Date: (a) an Acquisition Loan remains outstanding and (b) the contributions described above that are made for the Accounting Period, after taking into account the use of dividends and earnings in accordance with subsection 7.6, are insufficient to enable the Trustee to pay the principal and interest due under such Acquisition Loan for such Accounting Period, then the Employers shall make an additional "Employer Loan Contribution" to the Trustee for that Accounting Period, in an aggregate amount equal to the amount of the insufficiency described herein. Any such Employer Loan Contribution shall be allocated in the manner described in subsection 4.1. Any Employer Loan Contribution under the Plan for any Accounting Period shall be paid to the Trustee in cash on the last day of the applicable Accounting Period or as soon as practicable after the end of such Accounting Period.

If no Acquisition Loan is outstanding at the end of an Accounting Period, the Trustee shall invest the contributions made for such Accounting Period as directed by the Administrator, in accordance with the provisions of Section 6.

#### 4.4 Individual Employer's Share of Employer Contributions; Limitations on Employers' Contributions

The Company shall determine each Employer's share of Employer Contributions to be made pursuant to subsection 4.1. The certificate of an independent certified public accountant selected by the Company as to the correctness of any amounts or calculations relating to the Employers' contributions under the Plan shall be conclusive on all persons. In no event will an Employer's share of the Employers' contributions described in this

Section 4 for any Plan Year cause the Employer's share of the Employers' contributions for that Plan Year to exceed an amount equal to the maximum amount deductible on account thereof by that Employer for that year for purposes of Federal taxes on income.

### SECTION 5 Company Stock; Acquisition Loans

#### 5.1 Company Stock

For purposes of the Plan, the term "Company Stock" shall mean common stock issued by the Company that is readily tradable on an established national securities market or exchange; provided, however, if the Company's common stock is not readily tradable on an established national securities market or exchange, the term "Company Stock" shall mean common stock issued by the Company having a combination of voting power and dividend rates equal to or in excess of: (a) that class of common stock of the Company having the greatest voting power and (b) that class of common stock of the Company having the greatest dividend rights. Non-callable preferred stock shall be treated as Company Stock for purposes of the Plan if such stock is convertible at any time into stock that is readily tradable on an established national securities market or exchange (or, if applicable, that meets the requirements of (a) and (b) next above) and if such conversion is at a conversion price that, as of the date of the acquisition by the Plan, is reasonable. For purposes of the immediately preceding sentence, preferred stock shall be treated as non-callable if, after the call, there will be a reasonable opportunity for a conversion that meets the requirements of the immediately preceding sentence. Company Stock shall be held under the Trust only if such stock satisfies the requirements of Section 407(d)(5) of ERISA.

#### 5.2 Acquisition Loans

An "Acquisition Loan" means the issuance of notes, a series of notes or other installment obligations incurred by the Trustee, in accordance with the Trust, in connection with the purchase of Company Stock. The term "Financed Shares" means shares of Company Stock acquired by the Trustee with the proceeds of an Acquisition Loan. The terms of each Acquisition Loan shall meet the applicable requirements of Treasury Regulations Section 54.4975-7(b), including the requirements: (a) that the loan bear a reasonable rate of interest, be for a definite period (rather than payable on demand), and be without recourse against the Plan, and (b) that the only assets of the Plan that may be given as collateral are Financed Shares purchased with the proceeds of that loan or with the proceeds of a prior Acquisition Loan. The release of Financed Shares is described in subsection 4.3.

### SECTION 6 Investment of Employer Contributions

#### 6.1 ESOP Stock Account Investments in Company Stock

Employer Contributions under subsections 4.1 and 4.3 that are used to repay an Acquisition Loan shall be invested in Company Stock through the release of Financed Shares and the crediting of such shares to Participants' Accounts (as described in subsections 7.4, 7.5 and 7.6). If an Acquisition Loan is not outstanding, the Administrator may direct the Trustee to invest the contributions made under subsection 4.1 in shares of Company Stock, in accordance with the provisions of subsection 4.3.

#### 6.2 Diversification of Investments in Company Stock

Pursuant to rules established by the Administrator, Active Participants may elect to diversify portions of their ESOP Stock Accounts, subject to the following:

(a) Each Participant who has attained age 55 years and has at least ten years of participation in the Plan (a "Qualified Participant") may elect during each of the Participant's Qualified Election Periods (as defined in subparagraph (c) below) to diversify up to twenty-five percent (fifty

percent in the case of the Participant's last Qualified Election Period) of the Qualified Participant's ESOP Stock Account balance eligible for diversification (as described in subparagraph (b) next below), by: (i) receiving a cash distribution of the applicable amount, or (ii) transferring the applicable amount to one or more investment funds, as determined in the discretion of the Administrator.

(b) The portion of a Qualified Participant's ESOP Stock Account balance subject to diversification shall equal twenty-five percent (fifty percent in the case of the Qualified Participant's last year of the Qualified Election Period) of the total number of shares of Company Stock allocated to the Participant's ESOP Stock Account (including shares that the Participant previously elected to diversify pursuant to this subsection), less the number of such shares previously diversified pursuant to the Qualified Participant's election under this subsection. In any one election, a Qualified Participant may diversify the entire remaining portion of his ESOP Stock Account balance eligible for diversification or a part of such diversifiable portion equal to any whole percentage of five percent or more of his ESOP Stock Account balance.

(c) For purposes of this subsection, a "Qualified Election Period" means: (i) the ninety-day period immediately following the last day of the first Plan Year in which the Participant becomes a Qualified Participant, and (ii) the ninety-day period immediately following the last day of each of the five Plan Years immediately following the first Plan Year in which the Participant becomes a Qualified Participant. Any election made in accordance with the provisions of subparagraph (a) next above with respect to any Qualified Election Period shall be given effect as of the regular Accounting Date occurring ninety days after the end of that Qualified Election Period.

(d) The provisions of this subsection shall not apply to any Participant if the value of the Participant's ESOP Stock Account (determined as of the regular Accounting Date immediately preceding the first day on which the Participant would otherwise be entitled to make an election under this subsection) is \$500 or less.

(e) Any amounts distributed in cash or transferred from Company Stock to one or more of the investment funds under this subsection shall not be available for distribution in the form of Company Stock (as otherwise allowed under subsection 11.1).

## SECTION 7 Accounting

### 7.1 Participants' Accounts

The Administrator shall maintain or cause to be maintained under the Plan the following accounts in the name of each Participant (to the extent applicable):

(a) ESOP Stock Account. An "ESOP Stock Account" to reflect (i) shares of Company Stock transferred from the Unreleased Share Account as a result of repayment of an Acquisition Loan and allocated in accordance with subsection 4.1, (ii) any Employer Contributions under subsection 4.1 made in the form of Company Stock, (iii) any shares of Company Stock purchased with cash in the ESOP Cash Account and (iv) any stock dividends on Company Stock allocated and credited to the Participant's ESOP Stock Account.

(b) ESOP Cash Account. An "ESOP Cash Account" to reflect any Employer cash contributions under subsection 4.1 and any cash dividends on Company Stock allocated and credited to the Participant's ESOP Stock Account, and any income, losses, appreciation, or depreciation attributable thereto.

In addition to the accounts described above, the Administrator may maintain such other accounts and subaccounts in the names of Participants or otherwise as the Administrator may consider necessary or advisable. Collectively, all accounts and subaccounts maintained for a Participant are referred to as the Participant's "Accounts."

The Administrator may establish such nondiscriminatory rules and procedures relating to the maintenance, adjustment and liquidation of Participants' Accounts as the Administrator may consider necessary or advisable.

### 7.2 Unreleased Share Account

The Administrator shall maintain or cause to be maintained in the Trust an "Unreleased Share Account" to reflect the Financed Shares acquired by the Trustee with the proceeds of an Acquisition Loan, if any, prior to the transfer of such Financed Shares to the Participants' ESOP Stock Accounts, any cash dividends attributable to such shares or transferred to the Unreleased Share Account pursuant to subsection 7.5, and any Investment Income attributable to such dividends.

### 7.3 Accounting Dates; Special Accounting Dates; Accounting Period

The last day of each Plan Year shall be the "Accounting Date." Participants' Accounts shall be adjusted on the Accounting Date. A "Special Accounting Date" is any date designated as such by the Administrator and a Special Accounting Date occurring under subsection 16.3. The term "Accounting Date" includes regular Accounting Dates and a Special Accounting Date. Any references to an "Accounting Period" ending on an Accounting Date shall mean the period since the next preceding regular Accounting Date.

### 7.4 Transfer of Shares From Unreleased Share Account to Participants' ESOP Stock Accounts

At the direction of the Administrator, the Trustee shall use the following to repay an Acquisition Loan:

- (a) Employer Contributions under subsections 4.1 and 4.3 and any investment income attributable to such contributions; and
- (b) Cash dividends paid on shares of Company Stock, as provided in subsections 7.5 and 7.6, and any investment income attributable to such dividends.

The repayment of an Acquisition Loan shall cause a transfer of shares of Company Stock from the Unreleased Share Account to the Participants' ESOP Stock Accounts in accordance with subsections 7.5 and 7.6 as of each applicable Accounting Date. The number of shares to be transferred shall be determined by multiplying the number of shares in the Unreleased Share Account by a fraction, the numerator of which is the principal and interest payments during the applicable Accounting Period and the denominator of which is the sum of the numerator plus the total projected principal and interest payments during the remainder of the term of the Acquisition Loan. If the requirements of Treasury Regulations Section 54.4975-7(b)(8)(ii) are satisfied, at the discretion of the Administrator, the phrase "principal and interest" in the preceding sentence shall be replaced by the word "principal."

#### 7.5 Adjustment of Participants' Accounts

Participants' Accounts shall be adjusted as follows:

- (a) Repayments of Acquisition Loans and Purchases of Company Stock. For each Accounting Period, Employer Contributions made in cash under subsections 4.1 and 4.3 that are used to repay an Acquisition Loan and release shares of Company Stock from the Unreleased Share Account in accordance with subsection 7.4 shall be credited as of each Accounting Date to the Participants' ESOP Stock Accounts in accordance with the provisions of subsections 4.1 and 4.3. For each Accounting Period, cash contributions under subsection 4.1 that are designated to be invested in shares of Company Stock shall be credited as of the applicable Accounting Date to the Participants' ESOP Cash Account as in accordance with the provisions of subsection 4.1. Upon the purchase of Company Stock with such cash, an appropriate number of shares of Company Stock shall be credited to the Participants' ESOP Stock Account, as appropriate, and the Participants' ESOP Cash Accounts shall be charged by the amount of the cash used to buy such Company Stock. At all times, cash in Participants' ESOP Cash Account may be used to purchase Company Stock from any source.
- (b) Dividends. Subject to the provisions of subsection 7.6, cash dividends on shares of Company Stock in the Unreleased Share Account shall be used to repay the outstanding Acquisition Loan and the released shares shall be credited to the Participants' ESOP Stock Accounts, in accordance with the provisions of subsection 4.1. Subject to the provisions of subsection 7.6, the Administrator shall credit to the Participants' ESOP Cash Accounts any cash dividends paid to the Trustee on shares of Company Stock held in the Participants' ESOP Stock Accounts as of the record date. Such cash dividends credited to the Participants' ESOP Cash Accounts shall be applied as soon as practicable first to the repayment of any amount due during or prior to that Accounting Period on an Acquisition Loan. If no amount is due on an Acquisition Loan (or if no Acquisition Loan is outstanding), such cash dividends may, as determined in the discretion of the Administrator, be used to either prepay the Acquisition Loan, if any, purchase shares of Company Stock, or be paid to the Participants as described in subparagraph 7.6(b). The Administrator shall credit an appropriate number of shares of Company Stock to the ESOP Stock Account of such Participant, and the Participant's ESOP Cash Account shall then be charged by the amount of cash used to repay an Acquisition Loan, if any, or used to purchase such Company Stock for the Participant's ESOP Stock Account.

#### (c) Employer Contributions in Shares of Company Stock.

For any Accounting Period in which the Employer Contributions under subsection 4.1 are made in the form of shares of Company Stock, such stock shall be credited to the Participants' ESOP Stock Account, as of the applicable Accounting Date, in accordance with the applicable provisions of subsection 4.1.

(d) Appreciation, Depreciation, Etc. As of each Accounting Date, before the allocation of any Employer Contributions under subsection 4.1 made in cash, any appreciation, depreciation, income, gains or losses in the fair market value of the Participants' ESOP Cash Accounts shall be allocated among and credited to the ESOP Cash Accounts of Participants, pro rata, according to the balance of each ESOP Cash Account as of the immediately preceding Accounting Date, reduced in each case by the amount of any charge to such ESOP Cash Account since the next preceding Accounting Date. Any gain or loss realized by the Trustee on the sale of Company Stock credited the Participants' ESOP Stock Accounts will be allocated to the Participants' ESOP Cash Accounts, pro rata, according to the balance of Participants' ESOP Stock Accounts, as of the next preceding Accounting Date.

#### 7.6 Dividends on Company Stock

The following shall apply with respect to dividends on Company Stock:

- (a) Dividends Credited to ESOP Cash Accounts. Any cash dividends paid with respect to shares of Company Stock allocated to Participants' ESOP Stock Accounts or held in the Unreleased Share Account may, as determined by the Administrator, be allocated among and credited to Participants' ESOP Cash Accounts in accordance with subparagraph 7.5(b).
- (b) Dividends Used to Repay Acquisition Loan. To the extent permitted by applicable law, any cash dividends paid with respect to shares of Company Stock allocated to Participants' ESOP Stock Account, or held in the Unreleased Share Account may (as required by applicable

Acquisition Loan documentation or, if not so required, as determined in the sole discretion of the Administrator) be used to repay the principal balance of an outstanding Acquisition Loan or interest thereon in whole or in part, or to purchase additional shares of Company Stock as provided in subparagraph 7.5(b). Financed shares released from the Unreleased Share Account by reason of dividends paid with respect to such Company Stock shall be allocated to Participants' ESOP Account as follows:

(i) First, Financed Shares with a fair market value (determined as of the valuation coincident with or immediately preceding the dividend declaration date) at least equal to the dividends paid with respect to the Company Stock allocated to Participants' ESOP Stock Account shall be allocated among and credited to the ESOP Stock Account of such Participants, pro rata, according to the number of shares of Company Stock held in such accounts on the dividend declaration date; and

(ii) Next, any remaining Financed Shares released from the Unreleased Share Account shall be allocated among and credited in accordance with Sections 4.1 to the Participants' ESOP Stock Accounts, as applicable.

(c) Dividends Paid to Participants. Any cash dividends paid with respect to shares of Company Stock allocated to Participants' ESOP Stock Accounts may, as determined by the Administrator, be either paid by the Company directly in cash to Participants on a non-discriminatory basis or paid to the Trustee and distributed by the Trustee to the Participants no later than ninety days after the end of the Plan Year in which paid to the Trustee. This provision is not applicable during any period that the Company is taxed as an "S corporation."

#### 7.7 Investment of Cash in Trust

At the direction of the Administrator, cash held in the Unreleased Share Account or Participants' ESOP Cash Accounts under the Trust will be invested by the Trustee, to the extent practicable, in short term securities or cash equivalents having ready marketability, mutual funds or in any other investment vehicle permitted under the terms of the Trust agreement. Investment Income resulting from such investments shall be credited to the account to which it pertains. The term "Investment Income" means income resulting from the temporary investment of, income deferral contributions, Employer Contributions, cash dividends and any other amounts.

#### 7.8 Fair Market Value of Company Stock

For purposes of the Plan and Trust, (i) the fair market value of Company Stock that is readily tradable on an established securities market shall be the prevailing market price as of the last day of the Plan Year, and (ii) the fair market value of Company Stock that is not readily tradable on an established securities market shall be determined, as of the last day of each Plan Year, by an independent appraiser, as defined in Section 401(a)(28) of the Code, in accordance with the terms of the Trust and the provisions of Section 3(18) of ERISA.

#### 7.9 Stock Dividends, Stock Splits and Capital Reorganizations Affecting ESOP Shares

Shares of Company Stock received by the Trustee that are attributable to stock dividends, stock splits or to any reorganization or recapitalization of the Company shall be credited to the Unreleased Share Account, if attributable to shares held in that account, or shall be credited to the released share account (including Participants' ESOP Stock Accounts) if attributable to shares held in the released share account, so that the interests of Participants immediately after any such stock dividend, split, reorganization or recapitalization are the same as such interests immediately before such event.

#### 7.10 ESOP Share Records

The Administrator shall maintain, or cause to be maintained, records as to the number and cost of shares of Company Stock acquired or transferred by or within the Trust in accordance with the applicable provisions of this Section 7.

#### 7.11 Statement of Accounts

The Administrator will provide each Participant with a statement reflecting the balances in the Participant's Accounts under the Plan at such times as are established by the Administrator. No Participant, except a person authorized by the Company or the Administrator, shall have the right to inspect the records reflecting the Accounts of any other Participant.

#### 7.12 Multiple Acquisition Loans

If more than one Acquisition Loan to the Trustee becomes outstanding at any time, the foregoing provisions of this Section 7 and other provisions of the Plan shall be modified by the Plan Administration to the extent it deems necessary or appropriate to reflect such additional Acquisition Loan or loans.

#### 7.13 Allocation of Proceeds from Sale or Liquidation

(a) Proceeds with respect to Company Stock allocated to Participants' ESOP Stock Accounts as a result of sale or redemption of Company Stock or of distributions from liquidation of the Company resulting from sale or other disposition of substantially all of the Company's assets

shall be allocated in the Plan Year in which such proceeds are received by the Trust.

(b) Proceeds with respect to Company Stock held in the Unreleased Share Account as a result of sale or redemption of Company Stock or of distributions from liquidation of the Company resulting from sale or other disposition of substantially all of the Company's assets shall be first applied to repayment of any outstanding Acquisition Loan with respect to such Company Stock in the Plan Year in which such proceeds are received by the Trust, any remaining proceeds shall be allocated in the Plan Year received by the Trust to the Participants' Accounts pro rata based on the Participant's ESOP Stock Account balances.

## SECTION 8 Contribution and Benefit Limitations

### 8.1 Contribution Limitations

For each Limitation Year (as defined below), the Annual Addition (as defined below) to a Participant's Accounts shall not exceed the lesser of \$30,000 (as adjusted from time to time by the Commissioner of Internal Revenue) or twenty-five percent of the Participant's compensation for that Limitation Year (with compensation defined for this purpose under Code Section 415, and including any amount which is not includible in the gross income of the Participant by reason of Code Section 125 or 401(k)).

#### (a) Definitions

The term "Limitation Year" means the Plan Year.

The term "Annual Addition" for any Limitation Year means the total amount of Employer Contributions, voluntary employee contributions and forfeitures allocated to the Accounts of a Participant under this Plan and any Related Defined Contribution Plan (as defined below) for a Plan Year, except that if, during any Plan Year that the Company is not an "S corporation," no more than one-third of the Employer Contributions which are deductible under Code section 404(a)(9) are allocated to the Accounts of Highly Compensated Participants (as defined in subsection 8.3) during the Plan Year, then any Employer Contributions which are applied by the Trustee to pay interest on an Acquisition Loan, and any Financed Shares which are allocated as Forfeitures, shall not be included in computing Annual Additions. If the allocations to the Accounts of Highly Compensated Participants will exceed one-third of the Employer Contributions, the Plan Administrator may elect to reduce the allocations to the Highly Compensated Participants on a pro rata basis in an amount sufficient to meet the one-third standard. In the event that Employer Contributions and dividends are applied to the repayment of an Acquisition Loan and shares of Company Stock are released from the unreleased shares and allocated to the Participants' ESOP Stock Accounts, each Participant's Annual Addition for a Limitation Year based on the allocated shares of Company Stock shall be calculated as the lesser of: (i) the amount of contributions credited to the Participant's Accounts, or (ii) the fair market value of shares Company Stock credited to the Participant's Accounts.

The term "Related Defined Contribution Plan" means any defined contribution plan (as defined in section 414(i) of the Code) maintained by the Company or a Related Company.

(b) Corrections. If it is anticipated that a Participant's Annual Addition may exceed the limitations of this subsection, the Administrator may reduce a Participant's Annual Addition to the extent necessary to meet the above limitations. If any Employer Contributions cannot be allocated to a Participant's Accounts, the Administrator, in its complete discretion, shall first, to a Related Defined Contribution Plan, return salary reduction contributions made by the Participant and reduce employer contributions made for the Participant. If, after the return of all salary reduction contributions and the reduction of employer contributions to a Related Defined Contribution Plan, any Employer Contributions still cannot be allocated to a Participant's Accounts, the Administrator may, in its complete discretion, choose to (i) reallocate such Employer Contributions to other Participants pursuant to subsection 4.1, (ii) apply such Employer Contributions to reduce the Employer Contributions in succeeding Limitation Years in order of time, or (iii) credit such Employer Contributions to a "suspense account" pursuant to the authority and regulations of Treasury Regulation Section 1.415-6(b)(6).

### 8.2 Combining of Plans

In applying the limitations set forth in subsection 8.1, reference to this Plan shall mean this Plan and all other defined contribution plans (whether or not terminated) ever maintained by the Employers and the Controlled Group Members, and reference to a defined benefit plan maintained by an Employer shall include all defined benefit plans (whether or not terminated) ever maintained by the Employers and the Controlled Group Members. It is intended that in complying with the requirements of subsection 8.2, a Participant's benefits under this Plan shall be limited after the Participant's benefits under any other defined contribution plan maintained by the Employers are limited and after the Participant's benefits under any defined benefit plan maintained by the Employers are limited, unless such other plan provides otherwise.

### 8.3 Highly Compensated Participant

With respect to any Plan Year, A "Highly Compensated Participant" means an eligible employee who is a highly compensated employee as defined in Section 414(q) of the Code, which includes any employee who:

(a) was at any time a 5 percent owner (as defined in Section 416(i) of the Code) of any Employer or any Controlled Group Member during the Plan Year or the preceding Plan Year, or;

(b) for the preceding Plan Year:

(i) received compensation from an Employer or any Controlled Group Member in excess of \$80,000 (which amount may be adjusted annually by the Secretary of Treasury), and

(ii) if the Administrator elects, was in the top- paid 20% group of employees for such preceding year.

A former employee will be considered a Highly Compensated Participant if such former employee was a Highly Compensated Participant either when he separated from service with the Employers, or at any time after he attained age 55. The determination of whether an employee is a Highly Compensated Participant will be made with reference to the definitions provided in Section 414(q) of the Code and any regulations issued by the Secretary of the Treasury thereunder (including any cost-of-living adjustments to the dollar figure above). For purposes of this subsection, an employee's compensation for a Plan Year shall be the employee's compensation for such Plan Year for services rendered to the Employers and the Controlled Group Members as reported on the employee's Federal wage and tax statement (Form W-2), but including the employee's elective deferral contributions made pursuant to Sections 125 and 401(k) of the Code (including income deferral contributions made under this Plan).

## SECTION 9 Period of Participation

### 9.1 Settlement Date

A Participant's "Settlement Date" will be the date on which his employment with the Employers and all Controlled Group Members is terminated because of the first to occur of the following events:

(a) Normal Retirement. The Participant retires or is retired from the employ of the Employers and the related companies on or after the date on which he attains age 65 years. A Participant's right to the balances in his Accounts shall be nonforfeitable on or after the date he attains age 65 ("Normal Retirement Age").

(b) Disability Retirement. The Participant is retired on account of a total and permanent disability when the Administrator determines that a physical or mental condition of a Participant, resulting from bodily injury, disease or mental disorder, renders the Participant incapable of continuing any gainful occupation for which the Participant is qualified for a period of at least 12 months and which condition constitutes a potentially permanent illness or injury as certified by a physician who has been approved by the Employer. This determination will be made in a nondiscriminatory manner to all Participants. A Participant's right to the balances in his Accounts shall be nonforfeitable on or after the date he retires due to disability.

(c) Death. The Participant's death.

(d) Resignation or Dismissal. The Participant resigns or is dismissed from the employ of the Employers and the related companies before retirement in accordance with subparagraph (a) or (b) next above.

If a Participant is transferred from employment with an Employer to employment with a Controlled Group Member that is not an Employer, then for purposes of determining when the Participant's Settlement Date occurs under this subsection, the Participant's employment with such Controlled Group Member (or any Controlled Group Member to which the Participant is subsequently transferred) shall be considered as employment with the Employers.

### 9.2 Restricted Participation

If: (i) a Participant's Settlement Date has occurred but full payment of all of the Participant's Account balances has not yet been made, or (ii) a Participant transfers to a Controlled Group Member that is not an Employer under the Plan, the Participant or the Participant's Beneficiary will be treated as a Participant for purposes of the Plan, except as follows:

(a) The Participant (or Beneficiary) may not receive an allocation of any Employer Contributions or Financed Shares.

(b) The Participant's Beneficiary cannot designate a beneficiary under subsection 12.7.

If a Participant subsequently again satisfies the requirements for participation in the Plan, the Participant will become an Active Participant in the Plan on the date the Participant satisfies such requirements.

## SECTION 10 Vesting in Benefits; Forfeitures; Reinstatements

### 10.1 Fully Vested Benefits

If a Participant's employment with an Employer or a Controlled Group Member is terminated because the Participant retires, becomes disabled,

or dies, under subparagraphs 9.1(a), (b) or (c), respectively, or if a Participant resigns or is dismissed from the employ of an Employer or a Controlled Group Member after completing five Years of Service, the balances in all of his Accounts as at the Accounting Date coincident with or next preceding his Settlement Date (after all adjustments required under the Plan as of that date have been made) shall be non-forfeitable and shall be distributable to him, or in the event of his death to his Beneficiary, under subsection 11.1.

## 10.2 Partially Vested Benefits

If a Participant resigns or is dismissed from the employ of an Employer or a Related Company under subparagraph 9(d) before completing five Years of Service, the balances in his ESOP Cash Account and ESOP Stock Account as of the Accounting Date coincident with or next following his Settlement Date

(after all adjustments required under the Plan as of that date have been made)

will each be reduced to an amount computed in accordance with the following schedule:

If the Participant's Number of Years of Service Is:	The Percentage of His Account Will Be:
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

The resulting balances in his ESOP Cash Account and ESOP Stock Account will be distributable to the Participant in the time and manner provided in subsections 7.4 and 7.5. If a Participant is completely unvested in his Accounts upon his Settlement Date, he will be deemed to have received a distribution and been cashed out as of the Accounting Date following his Settlement Date.

## 10.3 Forfeiture Accounts and Forfeitures

The portion of a Participant's Accounts that are not distributable to him on his Settlement Date by reason of the provisions of subsection 10.2 shall be a "Forfeiture" on the earlier of the date the Participant receives a distribution of the entire vested portion of the Participant's Account, or the last day of the Plan Year in which the Participant terminates employment with the Employer. The amount deemed as Forfeitures will be allocated and credited as of the last day of the Plan Year in which the Participant terminates employment with the Employer in accordance with the provisions of subsection 4.1 based upon each Participant's Compensation for such Plan Year. Cash in the Participant's Accounts will be forfeited before Company Stock is forfeited.

## 10.4 Reinstatement

If the Participant returns to employment with an Employer or a Controlled Group Member prior to incurring five consecutive One Year Breaks in Service, and such Participant had received, or was deemed to have received, a distribution of his entire vested Accounts prior to his reemployment, his forfeited amounts shall be reinstated only if he repays the full amount distributed to him before the earlier of (i) five years after the first date on which the Participant is rehired by an Employer or a Controlled Group Member or (ii) the close of the first period of five consecutive One Year Breaks in Service commencing after the distribution or, in the event of a deemed distribution, upon the reemployment of such Participant. In the event the Participant does repay the full amount distributed to him or, in the event of a deemed distribution, the undistributed portion of the Participant's Accounts must be restored in full.

If a former Participant returns to employment with an Employer or Controlled Group Member prior to incurring five consecutive One Year Breaks in Service but did not receive or was not deemed to have received a distribution of his vested Accounts, the entire unvested portion of his Accounts shall be restored to his Accounts to the extent this unvested amount had become a Forfeiture under the Plan.

The source of the restored amount shall be first from any Forfeitures occurring during the Plan Year. If such source is insufficient, then the Employer shall contribute an amount which is sufficient to restore the Forfeiture; provided, however, that if an Employer Contribution is made for such Plan Year, such contribution shall first be applied to restore any such amounts and the remainder shall be allocated in accordance with subsection 4.1.

## SECTION 11 Distributions Following Settlement Date

### 11.1 Manner of Distribution

Subject to the conditions set forth below, distribution of the balances in a Participant's ESOP Cash Account and ESOP Stock Account will be made to, or for the benefit of, the Participant or, in the case of the Participant's death, to or for the benefit of the Participant's Beneficiary, in the form, as elected by the Participant or the Participant's Beneficiary, as applicable, with the consent of the Administrator, of:

(a) a lump sum;

(b) installments over a period not to exceed five years; or

(c) installments over a period not exceeding the life expectancy of the Participant or the joint life expectancy of the Participant and his designated beneficiary; provided that, if such beneficiary is not the Participant's spouse and is more than 10 years younger than the Participant, the installments shall be paid over a period not exceeding the joint life expectancy of the Participant and a beneficiary 10 years younger than the Participant.

In the event distribution is made in the form of installments, the balance in the Participant's Accounts shall continue to be subject to appreciation, depreciation, income, gains and/or losses pursuant to subsection 7.5(d), until the final installment is paid. Distributions of the Participant's ESOP Cash Account shall be made in cash and distributions of the Participant's ESOP Stock Accounts shall be made in-kind in the form of shares of Company Stock, except for fractional shares which shall be paid in cash.

#### 11.2 Determination of Account Balances

After a Participant's Settlement Date has occurred and pending complete distribution of the Participant's Account balances, the Participant's Accounts will be held under the Plan and will be subject to adjustment under Section 7. For purposes of subsection 11.1, a Participant's Account balances will be determined as of the regular Accounting Date coincident with or immediately preceding the date of distribution of the Participant's Accounts.

#### 11.3 Reinvestment of ESOP Stock Account

In any year that a Participant who has terminated employment with the Employers ("Inactive Participant") has shares of Company Stock in his ESOP Stock Account, the Administrator may, in its discretion, use any cash or other liquid assets held in the ESOP Cash Accounts of Participants who are actively employed by the Employers ("Active Participants") to purchase the shares of Company Stock held in the Inactive Participant's ESOP Stock Account, based on the most recent fair market value. Such purchase shall be made pro rata based on the Active Participants' ESOP Cash Account balances. In the event that there is not sufficient cash or other liquid assets in the Active Participants' ESOP Cash Account to purchase all of the shares of Company Stock in the Inactive Participants' ESOP Stock Accounts, the purchase shall be pro rata based upon the Inactive Participants' ESOP Stock Accounts. The proceeds of the shares of Company Stock purchased from an Inactive Participant's ESOP Stock Account shall be held in a special "Liquidated ESOP Stock Account" on behalf of the Inactive Participant and invested in the same manner as the Participants' ESOP Cash Accounts. The provisions of this subsection 11.3 apply only during such period that the Company Stock held in the Trust is not readily tradeable on an established securities market.

#### 11.4 Timing of Distributions

Distribution of the balance of a Participant's Accounts shall be made or shall commence as follows:

(a) Distribution of Accounts. Distribution of a Participant's ESOP Stock Account and ESOP Cash Account balances will be made or shall commence as follows, unless an earlier date is required by subparagraph (b) or (c) below.

(i) Distributions Upon Retirement, Death or Disability. If a Participant retires, becomes disabled, or dies (as described in subparagraphs 9.1(a), (b) or (c)) while in the employ of an Employer or a Controlled Group Member, distributions will be made or will commence as soon as practicable following the Participant's Settlement Date.

(ii) Distributions Upon Resignation or Dismissal. If a Participant's Settlement Date occurs under subparagraph 9.1(d), distribution of the Participant's Accounts will be made or will commence as soon as is practicable after the close of the Plan Year following the Plan Year in which the Participant's Settlement Date occurs, unless the Participant elects a later date.

(b) Mandatory Cash-Outs; Consent. Notwithstanding any other provision of this Section 11, if a Participant's vested Account balances total \$5,000 or less at any time at or after his Settlement Date, the Participant (or the Participant's Beneficiary) shall receive an immediate lump sum payment of such amount. Such distribution shall be made as soon as practicable after the Participant's Settlement Date. If the present value of a Participant's entire vested benefit under the Plan is zero, the Participant shall be deemed to have received a distribution of such vested benefit. If a Participant's vested Account balances exceed \$5,000 at any time, distributions may not be made to the Participant before age 65 without the Participant's consent.

(c) Required Commencement Date. Irrespective of any contrary provision of the Plan, distribution of the Account balance of a Participant shall be made or shall commence by April 1 of the calendar year next following the later of: (i) the calendar year on which the Participant attains age 70 1/2 or (ii) the calendar year in which the Participant's Settlement Date occurs ("Required Commencement Date"); provided, however, that the Required Commencement Date of a Participant who is a five-percent owner (as defined in Code Section 416) of an Employer or Controlled Group Member in the calendar year in which the Participant attains age 70 1/2 shall be April 1 of the calendar year next following the calendar year in which the Participant attains age 70 1/2.

If a Participant dies before the Participant's Required Commencement Date, the Participant's benefits must be distributed over a period not exceeding the greater of: (A) five years from the death of the Participant; (B) in the case of payments to a Designated Beneficiary other than the Participant's Spouse, the life expectancy of such Beneficiary, provided payments begin within one year of the Participant's death (or such later

date as may be prescribed under Treasury Regulations); or (C) in the case of payments to the Participant's Spouse, the life expectancy of such Spouse, provided payments begin by the date the Participant would have attained age 70 1/2. If a Participant dies after the Participant's Required Commencement Date, the remaining portion of the Participant's benefits will be distributed at least as rapidly as under the method of distribution in effect at the Participant's death.

A Participant who is not a 5 percent owner and who attains age 70 1/2 while still employed by an Employer or a Controlled Group Member may elect to receive a distribution commencing April 1 of the calendar year next following the calendar year in which he attains age 70 1/2.

### 11.5 Direct Rollovers

Certain individuals who are to receive distributions under the Plan may elect that such distributions be paid in the form of a direct rollover (as described in Section 401(a)(31) of the Code and the regulations thereunder) to the Trustee or custodian of a plan eligible to accept direct rollovers, subject to the following:

(a) **Eligible Rollover Distribution.** A distribution may be paid in a direct rollover under this subsection only if the distribution constitutes an Eligible Rollover Distribution. An "Eligible Rollover Distribution" means a distribution under the Plan to an Eligible Distributee (as defined below) other than: (i) a distribution that is one of a series of substantially equal payments made annually or more frequently either over the life (or life expectancy) of the Participant or the joint lives (or life expectancies) of the Participant and his Designated Beneficiary or over a specified period of ten years or more, (ii) a distribution required under subsection 11.4(d) to meet the minimum distribution requirements of Section 401(a)(9) of the Code, or (iii) a distribution excluded from the definition of an Eligible Rollover Distribution under applicable Treasury Regulations. Notwithstanding the immediately preceding sentence, an Eligible Rollover Distribution includes only those amounts that would be includible in the gross income of the Eligible Distributee if such amounts were not rolled over to another plan as provided under Section 402(c) of the Code.

During any period that the Company is taxed as an "S corporation," an Eligible Rollover shall mean only cash distributions. Distributions in the form of shares of Company Stock will not be eligible to be rolled over directly, however, Participants may roll over the cash proceeds from the sale of the shares in accordance with Section 12.2.

(b) **Eligible Distributee.** An "Eligible Distributee" is:

(i) a Participant, (ii) a Participant's surviving Spouse who is entitled to receive payment of the Participant's Account balances after the Participant's death, or (iii) the Spouse or former spouse of a Participant who is an alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code).

(c) **Eligible Retirement Plan.** A direct rollover of an Eligible Rollover Distribution may be made to no more than one Eligible Retirement Plan. Except as otherwise provided below, an "Eligible Retirement Plan" is: (i) an individual retirement account described in Section 408(a) of the Code, (ii) an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), (iii) an annuity plan described in Section 403(a) of the Code, or (iv) a plan qualified under Section 401(a) of the Code that by its terms permits the acceptance of rollover contributions. With respect to the surviving Spouse of a deceased Participant who is entitled to receive a distribution of the Participant's Accounts, an "Eligible Retirement Plan" shall mean only an individual retirement account described in Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract).

(d) **Minimum Amounts.** An Eligible Distributee may elect a direct rollover of all or a portion of an Eligible Rollover Distribution only if the total amount of the Eligible Rollover Distributions expected to be received by the Eligible Distributee during the Plan Year is \$200 or more (or such lesser amount as the Administrator may establish). An Eligible Distributee may elect payment of a portion of an Eligible Rollover Distribution as a direct rollover and may receive directly the remainder of such distribution, provided that the amount paid by direct rollover is at least \$500 (or such lesser amount as the Administrator may establish).

(e) **Elections.** An Eligible Distributee's election of a direct rollover pursuant to this subsection must be in writing on a form designated by the Administrator and must be filed with the Administrator at such time and in such manner as the Administrator shall determine. The Administrator shall establish such rules and procedures as it deems necessary to provide for distributions by means of direct rollover.

### 11.6 Immediate Distributions to Alternate Payees

The Administrator shall direct distribution of the amount of a Participant's Account balances assigned to an alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code) on the earliest date specified in such qualified domestic relations order, without regard to whether such payments commence prior to the Participant's earliest retirement age (as defined in Section 414(p)(4)(B) of the Code).

### 11.7 Designation of Beneficiary

Each Participant may designate any person or persons (who may be designated concurrently, contingently or successively) to whom the Participant's benefits are to be paid if the Participant dies before the Participant receives all of Participant's benefits. A beneficiary designation must be made on a form furnished by the Administrator for this purpose, and the Participant must sign such form. A beneficiary designation

form will be effective only when the form is filed with the Administrator while the Participant is alive and will cancel all the Participant's beneficiary designation forms previously filed with the Administrator.

Notwithstanding the foregoing provisions of this subsection and any beneficiary designation filed with the Administrator in accordance with this subsection, if a Participant dies and has a surviving Spouse at the Participant's date of death, the Account balances described in the preceding sentence shall be payable in full to the Participant's surviving Spouse in accordance with this Section 11 (treating such surviving Spouse as the Participant's Beneficiary), unless prior to the Participant's death, the following requirements were met:

- (a) The Participant elected that the Participant's benefits under the Plan be paid to a person other than the Participant's surviving Spouse;
- (b) The Participant's Spouse consented in writing to such election;
- (c) The Spouse's consent acknowledged the effect of such election and was witnessed by a notary public; and
- (d) Such election designates a beneficiary that may not be changed without further spousal consent, unless the Spouse executed a general written consent expressly permitting changes of the beneficiary without any requirement of further consent of the Spouse.

For purposes of the Plan, and subject to the provisions of any qualified domestic relations order (as defined in Section 414(p) of the Code), a Participant's "Spouse" means the person to whom the Participant is legally married at the earlier of the date of the Participant's death or the date payment of the Participant's benefits commenced and who is living at the date of the Participant's death.

If a deceased Participant failed to designate a beneficiary as provided above, or if the designated beneficiary dies before the Participant or before complete payment of the Participant's benefits, the Participant's benefits shall be distributed to the Participant's Spouse, or if there is none, the Administrator, in its discretion, may direct the Trustee to pay the Participant's benefits as follows:

- (e) To or for the benefit of any one or more of the Participant's relatives by blood, adoption or marriage and in such proportions as the Administrator determines; or
- (f) To the legal representative or representatives of the estate of the last to die of the Participant and the Participant's Designated Beneficiary.

The term "Designated Beneficiary" or "Beneficiary" as used in the Plan means the natural or legal person or persons designated by a Participant as the Participant's beneficiary under the last effective beneficiary designation form filed with the Administrator under this subsection and to whom the Participant's benefits would be payable under this subsection.

#### 11.8 Missing Participants or Beneficiaries

Each Participant and each Designated Beneficiary must file with the Administrator from time to time in writing his post office address and each change of post office address. If a Participant dies before the Participant receives all of the Participant's vested Account balances, the Participant's Beneficiary must file any change in his post office address with the Administrator. Any communication, statement or notice addressed to a Participant or Beneficiary at the last post office address filed with the Administrator, or if no address is filed with the Administrator then, in the case of a Participant, at the Participant's last post office address as shown on the Employers' records, will be binding on the Participant and the Participant's Beneficiary for all purposes of the Plan. The Employers, the Trustee, and the Administrator shall not be required to search for or locate a Participant or Beneficiary. If the Administrator notifies a Participant or Beneficiary that the Participant or Beneficiary is entitled to a payment and also notifies the Participant or Beneficiary of the provisions of this subsection, and the Participant or Beneficiary fails to claim his benefits or make his whereabouts known to the Administrator within three years after the notification, the benefits of the Participant or Beneficiary may be disposed of, to the extent permitted by applicable law, as follows:

- (a) If the whereabouts of the Participant then are unknown to the Administrator but the whereabouts of the Participant's Spouse then are known to the Administrator, payment may be made to the Spouse;
- (b) If the whereabouts of the Participant and the Participant's Spouse, if any, then are unknown to the Administrator but the whereabouts of the Participant's Designated Beneficiary then are known to the Administrator, payment may be made to the Designated Beneficiary;
- (c) If the whereabouts of the Participant, the Participant's Spouse and the Participant's Designated Beneficiary then are unknown to the Administrator but the whereabouts of one or more relatives by blood, adoption or marriage of the Participant are known to the Administrator, the Administrator may direct the Trustee to pay the Participant's benefits to one or more of such relatives and in such proportions as the Administrator decides; or
- (d) If the whereabouts of such relatives and the Participant's Designated Beneficiary then are unknown to the Administrator, the benefits of such Participant or Beneficiary may be disposed of in an equitable manner permitted by law under rules adopted by the Administrator.

#### 11.9 Facility of Payment

When a person entitled to benefits under the Plan is under legal disability, or, in the Administrator's opinion, is in any way incapacitated so as to be unable to manage the person's financial affairs, the Administrator may direct the Trustee to pay the benefits to such person's legal representative. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

#### 11.10 In-Service Withdrawal

A Participant who has completed five (5) Years of Service with an Employer may withdraw ten percent (10%) of his or her vested account balances by submitting a request for such withdrawal in such form and in such manner as the Administrator may determine. A Participant may only request one such withdrawal in any twelve-month period. The Administrator may promulgate such additional rules and regulations governing in-service withdrawals as it deems appropriate from time to time.

## SECTION 12 Rights, Restrictions, and Options on Company Stock

### 12.1 Right of First Refusal

Subject to the provisions of the last sentence of this subsection, shares of Company Stock distributed to Participants shall be subject to a "Right of First Refusal." The Right of First Refusal shall provide that, prior to any subsequent transfer, the Participant (or the Participant's Beneficiary) must first make a written offer of such Company Stock to the Trust and to the Company at the then fair market value of such Company Stock. The Trust shall have the first priority to exercise the right to purchase the Company Stock, and then the Company shall have second priority to exercise the right. A bona fide written offer from an independent prospective buyer shall be deemed to be the fair market value of such Company Stock for this purpose, unless the value per share, as determined by the independent appraiser as of the December 31 Accounting Date of the preceding Plan Year, is greater. The Company and the Trust shall have a total of 14 days (from the date the offer is first received by the Company or the Trust) to exercise the Right of First Refusal on the same terms offered by the prospective buyer. A Participant (or the Participant's Beneficiary) entitled to a distribution of Company Stock may be required to execute an appropriate stock transfer agreement (evidencing the Right of First Refusal) prior to receiving a certificate for Company Stock.

No Right of First Refusal shall be exercisable by reason of any of the following transfers:

- (a) The transfer upon disposition of any such shares by any legal representative, heir or legatee, but the shares shall remain subject to the Right of First Refusal;
- (b) The transfer by a Participant or a Participant's Beneficiary in accordance with the Put Option pursuant to subsection 12.2; or
- (c) The transfer while Company Stock is listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934 or quoted on a system sponsored by a national securities association registered under Section 15A(b) of the Securities Exchange Act of 1934.

### 12.2 Put Option

The Company shall issue a "Put Option" to each Participant (or each Participant's Beneficiary) who receives a distribution of Company Stock if, at the time of such distribution, Company Stock is not then readily tradable on an established market, as defined in Section 409(h) of the Code and the regulations thereunder. The Put Option shall permit the Participant (or the Participant's Beneficiary) to sell such Company Stock at its then fair market value, as determined by an independent appraiser, in accordance with the provisions of Section 401(a)(28)(C) of the Code, to the Company at any time during the sixty-day period commencing on the date the Company Stock was distributed to the Participant (or the Participant's Beneficiary), and, if not exercised within that period, the Put Option will temporarily lapse. The Administrator, in its sole discretion, may extend the sixty-day period referred to in the immediately preceding sentence if such an extension is necessary in order for the Company Stock to be valued by an independent appraiser as of the applicable Accounting Date coincident with or immediately preceding the date the Company Stock was distributed to the recipient. As of the quarterly Accounting Date coincident with or immediately preceding the Plan Year in which such temporary lapse of the Put Option occurs, the independent appraiser shall determine the value of the Company Stock in accordance with the provisions of Section 401(a)(28)(C) of the Code, and the Administrator shall notify each distributee who did not exercise the initial Put Option prior to its temporary lapse in the preceding Plan Year of the revised value of the Company Stock. The time during which the Put Option may be exercised shall recommence on the date such notice or revaluation is given and shall permanently terminate sixty days thereafter. The Trustee may be permitted by the Company to purchase Company Stock put to the Company under a Put Option. At the option of the Administrator or the Trustee, as the case may be, the payment for Company Stock sold pursuant to a Put Option shall be made, as determined in the discretion of the Administrator or the Trustee, as the case may be, in the following forms:

- (a) If a Participant's ESOP Stock Account is distributed in a total distribution (that is, a distribution within one taxable year of the balance to the credit of the Participant's ESOP Stock Account), then payment for such Company Stock may be made with a promissory note that provides for substantially equal annual installments commencing within thirty days from the date of the exercise of the Put Option and over a period not exceeding five years, with interest payable at a reasonable rate (as determined by the Administrator) on any unpaid installment balance, with adequate security provided, and without penalty for any prepayment of such installments; or
- (b) In a lump sum no later than thirty days after such Participant exercises the Put Option.

At the direction of the Administrator, the Trustee on behalf of the Trust may offer to purchase any shares of Company Stock (which are not sold pursuant to a Put Option) from any former Participant or Beneficiary at any time in the future, at their then fair market value.

If the Company's charter or by-laws restrict ownership of substantially all of the outstanding Company Stock to employees and the Trust or the Company has elected to be taxed as an "S corporation" under Code Section 1361, then shares of Company Stock distributed to a Participant (or his Beneficiary) must be immediately sold to the Company in accordance with subsection 11.1 and the Participant will not be entitled to the

two 60-day put periods.

### 12.3 Share Legend

Shares of Company Stock held or distributed by the Trustee may include such legend restrictions on transferability as the Company may reasonably require in order to assure compliance with applicable Federal and state securities laws.

### 12.4 Nonterminable Rights

The provisions of this Section 12 shall continue to be applicable to shares of Company Stock even if the applicable portion of the Plan ceases to be an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code.

## SECTION 13 Voting and Tendering of Company Stock

The voting of Company Stock held in the Trust, and if a tender offer is made for Company Stock, the tendering of such shares, shall be subject to the provisions of ERISA and the following provisions, to the extent such provisions are not inconsistent with ERISA:

(a) Allocated Shares. For purposes of this Section, shares of Company Stock shall be deemed to be allocated and credited to a Participant's ESOP Stock Account in an amount to be determined based on the balance in such account on the Accounting Date coincident with or next preceding the record date of any vote or tender offer.

(b) Voting of Company Stock. If the shares of Company Stock are a registration-type class of securities, as defined in Section 409(e)(4) of the Code, each Participant (or, in the event of the Participant's death, the Participant's Beneficiary) shall have the right to direct the Trustee as to the manner in which whole and partial shares of Company Stock allocated to the Participant's ESOP Stock Account are to be voted on each matter brought before an annual or special stockholders' meeting. Before each such meeting of stockholders, the Trustee shall furnish to each Participant (or Beneficiary) a copy of the proxy solicitation material, together with a form requesting directions on how such shares of Company Stock allocated to such Participant's Account shall be voted on each such matter. Upon timely receipt of such directions, the Trustee shall, on each such matter, vote as directed the number of shares (including fractional shares) of Company Stock allocated to such Participant's Account, and the Trustee shall have no discretion in such matter. The directions received by the Trustee from Participants shall be held by the Trustee in confidence and shall not be divulged or released to any person, including officers or employees of Company or any Affiliate. The Trustee shall vote allocated shares for which it has not received direction and unallocated shares of Company Stock in the same proportion as directed shares are voted, and shall have no discretion in such matter except as otherwise provided in accordance with ERISA.

(c) Tendering of Company Stock. In the event of a tender offer for shares of Company Stock held by the Trust, the Trustee shall tender the shares in its sole discretion, subject to the fiduciary duties under ERISA.

In carrying out its responsibilities under this Section, the Trustee may rely on information furnished to it by the Administrator, including the names and current addresses of Participants, the number of shares of Company Stock allocated to their Accounts, and the number of shares of Company Stock held by the Trustee that have not yet been allocated.

## SECTION 14 General Provisions

### 14.1 Interests Not Transferable

The interests of Participants and their beneficiaries under the Plan are not in any way subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated or assigned. Notwithstanding the foregoing, the Plan shall comply with any domestic relations order that, in accordance with procedures established by the Administrator, is determined to be a qualified domestic relations order (as defined in Section 414(p)(1)(A) of the Code).

### 14.2 Absence of Guaranty

The Administrator, the Employers, and the Trustee do not in any way guarantee the Trust from loss or depreciation. The liability of the Administrator or the Trustee to make any payment under the Plan will be limited to the assets held by the Trustee that are available for that purpose.

### 14.3 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

### 14.4 Litigation by Participants or other Persons

To the extent permitted by law, if a legal action against the Trustee, an Employer, or the Administrator by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or Beneficiary's benefits, the cost to the Trustee, an Employer, or the Administrator of defending the action will be charged, to the extent possible, to the sums, if any, that were involved in the action or were payable to the Participant or Beneficiary concerned.

### 14.5 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information that the person acting on it considers pertinent and reliable, and shall be signed, made or presented by the proper party or parties.

### 14.6 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

#### 14.7 Controlling Law

To the extent not superseded by the laws of the United States, the laws of Vermont shall be controlling in all matters relating to the Plan.

#### 14.8 Statutory References

Any reference in the Plan to the "Code" means the Internal Revenue Code of 1986, as amended. Any reference in the Plan to "ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Any reference in the Plan to a section of the Code or ERISA, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements or supersedes that section.

#### 14.9 Severability

In case any provisions of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provisions had never been set forth in the Plan.

#### 14.10 Additional Employers

With the consent of the Company, any Controlled Group Member described in subsection 1.5 may, by filing with the Company a written instrument to that effect, become an Employer hereunder by adopting the Plan and becoming a party to the Trust agreement.

#### 14.11 Action By Employers

Any action authorized or required to be taken by the Company or an Employer under the Plan shall be by resolution of its board of directors, by resolution of a duly authorized committee of its board of directors, or by a person or persons authorized by resolution of its board of directors or such committee.

#### 14.12 Gender and Number

Where the context admits, words in the masculine gender include the feminine and neuter genders, the plural includes the singular, and the singular includes the plural.

#### 14.13 Examination of Documents

Copies of the Plan and Trust agreement, and any amendments thereto, are on file at the Human Resources office of the Company where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

#### 14.14 Fiduciary Responsibilities

It is specifically intended that all provisions of the Plan shall be applied so that all fiduciaries with respect to the Plan shall be required to meet the prudence and other requirements and responsibilities of applicable law to the extent such requirements or responsibilities apply to them. In general, a fiduciary shall discharge the fiduciary's duties with respect to the Plan and the Trust solely in the interests of Participants and beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

#### 14.15 Indemnification

To the extent permitted by law, any member or former member of the Administrator, any person who was, is or becomes an officer or director of the Company, an Employer, or a Controlled Group Member or any employee of an Employer to whom the Administrator or any Employer has delegated any portion of its responsibilities under the Plan, and each of them, shall be indemnified and saved harmless by the Employers (to the extent not indemnified or saved harmless under any liability insurance contract or other indemnification arrangement with respect to the Plan) from and against any and all liability to which the Administrator and such other persons may be subject by reason of any act done or omitted to be done in good faith with respect to the administration of the Plan and the Trust, including all expenses reasonably incurred in their defense in the event that the Employers failed to provide such defense after having been requested in writing to do so.

#### 14.16 Automated Voice Response Systems, Computer Systems

The Administrator, in its discretion, may authorize Participants to make various requests for information, elections and other transactions under the Plan through the use of one or more of the following methods: (a) written communications, (b) telephonic, automated voice response

system, (c) computer network, or (d) any other method designated by the Administrator.

## SECTION 15 Restrictions as to Reversion of Trust Assets to the Employers

The Employers shall have no right, title or interest in the assets of the Trust, except as may be provided in a pledge agreement entered into between an Employer and the Trustee in connection with an Acquisition Loan (a "Pledge Agreement"). No part of the assets of the Trust at any time will revert or will be repaid to the Employers, directly or indirectly, except as follows:

(a) If the Internal Revenue Service initially determines that the Plan, as applied to an Employer, does not meet the requirements of a qualified plan under

Section 401(a) of the Code, the assets of the Trust attributable to contributions made by the Employer under the Plan shall be returned to the Employer within one year of the date of denial of qualification of the Plan as applied to the Employer.

(b) If a contribution or a portion of a contribution is made by an Employer as a result of a mistake of fact, such contribution or portion of a contribution shall not be considered to have been contributed to the Trust by the Employer and, after having been reduced by any losses of the Trust allocable thereto, shall be returned to the Employer within one year of the date the amount is paid to the Trust.

(c) If a contribution made by an Employer is conditioned upon the deductibility of such contribution as an expense for Federal income tax purposes, to the extent the deduction for the contribution made by the Employer is disallowed, such contribution, or portion of such contribution, after having been reduced by any losses of the Trust allocable thereto, shall be returned to the Employer within one year of the date of disallowance of the deduction.

(d) If there is a default on an Acquisition Loan, an Employer may exercise its rights under the Pledge Agreement with respect to the shares of Company Stock subject to the Pledge Agreement (including, but not limited to, the sale of pledged shares, the transfer of pledged shares to the Employer, and the registration of pledged shares in the Employer's name).

Contributions may be returned to an Employer pursuant to subparagraph (a) above only if they are conditioned upon initial qualification of the Plan as applied to that Employer and an application for determination was made by the time prescribed by law for filing the Employer's Federal income tax return for the taxable year in which the Plan was adopted (or such later date as the Secretary of the Treasury may prescribe). In no event may the return of a contribution pursuant to subparagraph (b) or (c) above cause any Participant's Account balances to be less than the amount of such balances had the contribution not been made under the Plan.

## SECTION 16 Amendment and Termination

### 16.1 Amendment

While the Company expects and intends to continue the Plan, the Company reserves the right to amend the Plan from time to time by action of the Board of Directors. Notwithstanding the foregoing:

- (a) An amendment may not change the duties and liabilities of the Administrator or the Trustee without the consent of the Administrator or the Trustee, whichever is applicable;
- (b) An amendment shall not reduce the value of a Participant's nonforfeitable benefits accrued prior to the later of the adoption or the effective date of the amendment; and
- (c) Except as provided in Section 15, under no condition shall any amendment result in the return or repayment to the Employers of any part of the Trust or the income therefrom or result in the distribution of the Trust for the benefit of anyone other than employees and former employees of the Employers and any other persons entitled to benefits under the Plan.

The Administrator shall notify the Trustee of any amendment of the Plan within a reasonable period of time.

### 16.2 Termination

The Plan will terminate as to all Employers on any date specified by the Company if thirty days advance written notice of the termination is given to the Administrator, the Trustee and the other Employers. The Plan will terminate as to an individual Employer on the first to occur of the following:

- (a) The date it is terminated by that Employer if thirty days advance written notice of the termination is given to the Administrator, the Trustee and the other Employers.
- (b) The date that Employer is judicially declared bankrupt or insolvent.
- (c) The date that Employer completely discontinues its contributions under the Plan.
- (d) The dissolution, merger, consolidation or reorganization of that Employer or the sale by that Employer of all or substantially all of its assets, except that:
  - (i) in any such event, arrangements may be made with the consent of the Company whereby the Plan will be continued by any purchaser of all or substantially all of its assets, in which case the successor or purchaser will be substituted for that Employer under the Plan and the Trust agreement; and
  - (ii) if an Employer is merged, dissolved or in any other way reorganized into, or consolidated with, any other Employer, the Plan as applied to the former Employer will automatically continue in effect without a termination thereof.

### 16.3 Nonforfeitability and Distribution on Termination

On termination or partial termination of the Plan, the rights of all affected Participants to benefits accrued to the date of such termination, after all adjustments then required have been made, shall be nonforfeitable. The Administrator shall specify the date of such termination or partial termination as a Special Accounting Date. If an ESOP is terminated, affected employees become 100% vested in their account balances, regardless of their years of service. As soon as practicable after all adjustments required as of that date have been made to the Account balances of Participants, the Administrator shall direct the Trustee to distribute to each such affected Participant his benefits under the Plan in one lump sum provided the Participant is no longer employed by an Employer or a Controlled Group Member. All appropriate provisions of the Plan will continue to apply until the Account balances of all such Participants have been distributed under the Plan.

### 16.4 Notice of Termination

Participants will be notified of the termination of the Plan within a reasonable time.

### 16.5 Plan Merger, Consolidation, Etc.

In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan, each Participant's benefits (if the Plan terminated immediately after such merger, consolidation or transfer) shall be equal to or greater than the benefits the Participant would have been entitled to receive if the Plan had terminated immediately before the merger, consolidation or transfer.

## SECTION 17 Administration

### 17.1 The Administrator

As provided in subsection 1.4, the Plan is administered by a committee consisting of three or more persons (who may but need not be employees of the employers) appointed by the Company. The Secretary of the Company shall certify to the trustee from time to time the appointment to (and termination of) office of the committee and the person who is selected as secretary of the committee.

### 17.2 The Administrator's General Powers, Rights, and Duties

The Administrator shall have all the powers necessary and appropriate to discharge its duties under the Plan, which powers shall be exercised in the sole and absolute discretion of the Administrator, including, but not limited to, the following:

- (a) To construe and interpret the provisions of the Plan and to make factual determinations thereunder, including the power to determine the rights or eligibility under the Plan of employees, Participants, or any other persons, and the amounts of their benefits (if any) under the Plan, and to remedy ambiguities, inconsistencies or omissions, and such determinations by the Administrator shall be binding on all parties.
- (b) To adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and Trust agreement.
- (c) To enforce the Plan in accordance with the terms of the Plan and the Trust and in accordance with the rules and regulations the Administrator has adopted.
- (d) To direct the Trustee as respects payments or distributions from the Trust in accordance with the provisions of the Plan.
- (e) To furnish the Employers with such information as may be required by them for tax or other purposes in connection with the Plan.
- (f) As directed by the Trustee, to employ agents, attorneys, accountants, actuaries or other persons (who also may be employed by the Employers) and to allocate or delegate to them such powers, rights and duties as the Administrator may consider necessary or advisable to properly carry out administration of the Plan, provided that such allocation or delegation and the acceptance thereof by such agents, attorneys, accountants, actuaries or other persons, shall be in writing.
- (g) As directed by the Trustee, to appoint an investment manager as defined in section 3(38) of ERISA to manage (with power to acquire and dispose of) the assets of the Plan, which investment manager may or may not be a subsidiary of the Company, and to delegate to any such investment manager all of the powers, authorities and discretions granted to the Administrator hereunder or under the Trust agreement (including the power to delegate and the power, with prior notice to the Administrator, to appoint an investment manager), in which event, any direction to the Trustee from any duly appointed investment manager with respect to the acquisition, retention or disposition of Plan assets shall have the same force and effect as if such direction had been given by the Administrator, and to remove any investment manager; provided, however, that the power and authority to manage, acquire, or dispose of any asset of the Plan shall not be delegated except to an investment manager, and provided further that the acceptance by any investment manager of such appointment and delegation shall be in writing, and the Administrator shall give notice to the Trustee, in writing, of any appointment of, delegation to or removal of an investment manager.

### 17.3 Interested Administrator Member

If a member of the Administrator is also a Participant in the Plan, the Administrator member may not decide or determine any matter or question concerning distributions of any kind to be made to the Administrator member or the nature or mode of settlement of the Administrator member's benefits, unless such decision or determination could be made by the Administrator member under the Plan if the Administrator member were not serving on the Administrator.

### 17.4 Administrator Expenses

All costs, charges and expenses reasonably incurred by the Administrator will be paid by the Company to the extent not paid from the assets of the Trust. No compensation will be paid to a member of the Administrator as such.

### 17.5 Uniform Rules

The Administrator shall administer the Plan on a reasonable and nondiscriminatory basis and shall apply uniform rules to all persons similarly situated.

### 17.6 Information Required by the Administrator

Each person entitled to benefits under the Plan shall furnish the Administrator with such documents, evidence, data or information as the Administrator considers necessary or desirable for the purpose of administering the Plan. The Employers shall furnish the Administrator with such data and information as the Administrator may deem necessary or desirable in order to administer the Plan. The records of the Employers as to an employee's or a Participant's period of employment, Hours of Service, termination of employment and the reason therefore, leave of absence, reemployment and Compensation will be conclusive on all persons unless determined to the Administrator's satisfaction to be incorrect.

#### 17.7 Review of Benefit Determinations

The Administrator will provide notice in writing to any Participant or Beneficiary whose claim for benefits under the Plan is denied, and the Administrator shall afford such Participant or Beneficiary a full and fair review of its decision if so requested.

#### 17.8 Administrator's Decision Final

Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Administrator made by the Administrator in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Administrator shall make such adjustment on account thereof as it considers equitable and practicable.

#### 17.9 Denial Procedure and Appeal Process

If a Participant, Beneficiary or any other person who believes he may be entitled to benefits under the Plan (a "Claimant") has an unresolved question about eligibility for benefits, the form of benefits, or the amount of benefits to be received or being received under the Plan after consulting with the Administrator or its representatives, a formal review of the situation may be requested in writing of the Administrator within sixty days after receiving notification of the Claimant's Plan benefits or an estimate of the Claimant's Plan benefits. A review decision will be made within sixty days after receipt of such request (one hundred twenty days in special circumstances) and the Claimant will be informed of the decision within ninety days after receipt of such request (one hundred eighty days in special circumstances). However, if the Claimant is not informed of the decision within the period described above, the Claimant may request a further review by the Administrator as described below as if the Claimant had received notice of an adverse decision at the end of that period. The decision will be written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for any denial of a benefit or benefit option, specific reference to pertinent Plan provisions on which such denial is based, a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the Plan's claim review procedure. The Claimant also shall be advised that the Claimant or the Claimant's duly authorized representative may request a further review by the Administrator of the decision denying the claim by filing with the Administrator within sixty days after such notice has been received by the Claimant a written request for such review and that Claimant may review pertinent documents, and submit issues and comments in writing, within the same sixty-day period. If such request is so filed, such review shall be made by the Administrator within sixty days after receipt of such request, unless special circumstances require an extension of time for processing in which case the review will be completed and decision rendered within one hundred twenty days. The Claimant shall be given written notice of the decision which shall include specific reasons for the decision, and specific references to the pertinent Plan provisions on which the decision is based, and such decision by the Administrator shall be final and shall terminate the review process.

#### 17.10 Powers and Responsibilities of the Company

- (a) The Company shall be empowered to appoint and remove the Trustee and the Administrator from time to time.
- (b) The Company shall establish a "funding policy and method," consistent with the objectives of this Plan and with the requirements of Title I of the Act and the purpose of the Plan which is to invest primarily in Company Stock.
- (c) The Company shall periodically review the performance of any Fiduciary or other person to whom duties have been delegated or allocated by it under the provisions of this Plan or pursuant to procedures established hereunder. This requirement may be satisfied by formal periodic review by the Company or by a qualified person specifically designated by the Company, through day-to-day conduct and evaluation, or through other appropriate ways.
- (d) The Company will furnish Plan Fiduciaries and Participants with notices and information statements when voting rights must be exercised pursuant to Section 13.
- (e) The Company will have authority to amend or terminate the Plan, or to merge or consolidate the Plan with, or transfer all or part of the assets or liabilities to, any other Plan.

### SECTION 18 Special Rules Applicable When Plan is Top-Heavy

#### 18.1 Purpose and Effect

The purpose of this Section 18 is to comply with the requirements of Section 416 of the Code. The provisions of this Section 18 are effective for each Plan Year beginning on or after the Effective Date in which the Plan is a "Top-Heavy Plan" within the meaning of Section 416(g) of the Code.

## 18.2 Top-Heavy Plan

In general, the Plan will be a Top-Heavy Plan for any Plan Year if, as of the "Determination Date" (that is, the last day of the preceding Plan Year), the sum of the amounts in subparagraphs (a), (b) and (c) below for Key Employees (as defined generally below and in Section 416(i)(1) of the Code) exceeds sixty percent of the sum of such amounts for all employees who are covered by this Plan or by a defined contribution plan or defined benefit plan that is aggregated with this Plan in accordance with subsection 18.4:

- (a) The aggregate account balances of Participants under this Plan.
- (b) The aggregate account balances of Participants under any other defined contribution plan included under subsection 18.4.
- (c) The present value of the cumulative accrued benefits of Participants calculated under any defined benefit plan included in subsection 18.4.

In making the foregoing determination: (i) a Participant's account balances or cumulative accrued benefits shall be increased by the aggregate distributions, if any, made with respect to the Participant during the 5-year period ending on the Determination Date, including distributions under a terminated plan that, if it had not been terminated, would have been required to be included in the aggregation group, (ii) the account balances or cumulative accrued benefits of a Participant who was previously a Key Employee, but who is no longer a Key Employee, shall be disregarded, (iii) the account balances or cumulative accrued benefits of a Beneficiary of a Participant shall be considered Accounts or accrued benefits of the Participant, (iv) the account balances or cumulative accrued benefits of a Participant who has not performed services for an Employer or a Controlled Group Member at any time during the 5-year period ending on the Determination Date shall be disregarded and (v) any rollover contribution (or similar transfer) from a plan maintained by a corporation other than an Employer under this Plan initiated by a Participant shall not be taken into account as part of the Participant's aggregate account balances under this Plan.

## 18.3 Key Employee

In general, a "Key Employee" is an employee (or a former or deceased employee) who, at any time during the Plan Year or any of the 4 preceding Plan Years, is or was:

- (a) an officer of an Employer having annual compensation greater than fifty percent of the amount in effect under Code Section 415(b)(1)(A) (the defined benefit maximum) for any such Plan Year; provided that, for purposes of this subparagraph, no more than fifty employees of the Employer (or, if lesser, the greater of three employees or ten percent of the employees) shall be treated as officers;
- (b) one of the ten employees who have annual compensation from an Employer of more than the limitation in effect under Code Section 415(c)(1)(A) (the defined contribution maximum) for that year and owning or considered as owning, within the meaning of Section 318 of the Code, the largest interests in the Employer; provided that, if two employees have the same interest in the Employer, the employee having greater annual compensation from the Employer shall be treated as having a larger interest;
- (c) a five percent or greater owner of an Employer; or
- (d) a one percent or greater owner of an Employer having annual compensation from the Employer of more than \$150,000.

For purposes of this subsection the term "compensation" means compensation as defined by Code Section 414(q)(7).

## 18.4 Aggregated Plans

Each other defined contribution plan and defined benefit plan maintained by an Employer that covers a Key Employee as a Participant or that is maintained by an Employer in order for a plan covering a Key Employee to satisfy Section 401(a)(4) or 410 of the Code shall be aggregated with this Plan in determining whether this Plan is top-heavy. In addition, any other defined contribution or defined benefit plan of an Employer may be included if all such plans that are included, when aggregated, will not discriminate in favor of officers, shareholders or Highly Compensated Participants and will satisfy all of the applicable requirements of Sections 401(a)(4) and 410 of the Code.

## 18.5 Minimum Vesting

For any Plan Year in which the Plan is a Top-Heavy Plan, a Participant's vested percentage in his Stock Account shall not be less than the percentage determined under the following table:

Years of Service	Vested Percentage
------------------	-------------------

Less than 2	0
2	20
3	40
4	60
5	80
6 or more	100

If the foregoing provisions of this subsection 18.5 become effective, and the Plan subsequently ceases to be a Top-Heavy Plan, no Participant shall have his vested percentage reduced, and each Participant who has then completed three or more Years of Service may elect to continue to have the vested percentage of his Employer Contribution Account determined under the provisions of this subsection 18.5.

#### 18.6 Minimum Employer Contribution

Subject to the following provisions of this subsection and subsection 18.7, for any Plan Year in which the Plan is a Top-Heavy Plan, the Employer contribution credited to each Participant who is not a Key Employee shall not be less than 3 percent of such Participant's total compensation (as defined in subsection 8.1) from the Employers for that year. In no event, however, shall the total Employer contribution credited in any year to a Participant who is not a Key Employee (expressed as a percentage of such Participant's total compensation from the Employer) exceed the maximum total Employer contribution credited in that year to a Key Employee (expressed as a percentage of such Key Employee's total compensation from an Employer). Contributions made by an Employer under the Plan pursuant to Participants' income deferral authorizations shall not be deemed Employer Contributions for purposes of this subsection. The amount of minimum Employer contribution otherwise required to be allocated to any Participant for any Plan Year under this subsection shall be reduced by the amount of Employer Contributions allocated to him for a Plan Year ending with or within that Plan Year under any other tax-qualified defined contribution plan maintained by an Employer.

#### 18.7 Coordination of Benefits

For any Plan Year in which the Plan is top-heavy, in the case of a Participant who is a non-Key Employee and who is a Participant in a top-heavy tax-qualified defined benefit plan that is maintained by an Employer and that is subject to Section 416 of the Code, subsection 18.5 shall not apply, and the minimum benefit to be provided to each such Participant in accordance with this Section 18 and Section 416(c) of the Code shall be the minimum annual retirement benefit to which he is entitled under such defined benefit plan in accordance with such Section 416(c), reduced by the amount of annual retirement benefit purchasable with his Plan Accounts (or portions thereof) attributable to Employer contributions (as defined in subsection 18.6) under this Plan and any other tax-qualified defined contribution plan maintained by an Employer.

**Green Mountain Coffee, Inc.**  
**EMPLOYEE STOCK OWNERSHIP TRUST**

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**GREEN MOUNTAIN COFFEE, Inc.**  
**EMPLOYEE STOCK OWNERSHIP TRUST**

THIS AGREEMENT, made effective as of the 1st day of January, 2000, by and between Green Mountain Coffee, Inc., a Delaware corporation (the "Company"), and Robert D. Britt, and his successor or successors and assigns in the trust hereby evidenced, as Trustee (the "Trustee").

**WITNESSETH THAT:**

WHEREAS, the Company desires to establish the Green Mountain Coffee, Inc. Employee Stock Ownership Plan (the "Plan") as a tax-qualified employee stock ownership plan that is intended to satisfy the requirements of Sections 401(a) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Company intends to establish the Plan for the exclusive benefit of eligible employees of the Company and those of any Controlled Group Member (as defined in Article 7) which adopt the Plan and become a party to this Trust Agreement as provided in Article 7 (the Company and the Controlled Group Members that are parties hereto are sometimes referred to below collectively as the "Employers" and individually as an "Employer"); and

WHEREAS, the Company intends to fund the Plan through a trust arrangement the provisions of which are contained in this document;

WHEREAS, Robert D. Britt was appointed the sole trustee of the trust arrangement of the Plan as of January 1, 2000.

NOW THEREFORE, pursuant to the authority delegated to the undersigned officers of the Company by resolution of its Board of Directors adopted on September 14, 2000, IT IS AGREED, by and between the parties hereto, that the trust provisions contained herein shall constitute the Trust, effective as of January 1, 2000, and the sole agreement between the Company and the Trustee in connection with the Plan; and

IT IS FURTHER AGREED, that the Trustee hereby accepts his appointment as such under this Trust Agreement, effective as of January 1, 2000.

IT IS FURTHER AGREED, by and between the parties hereto as follows:

**ARTICLE 1 Name**

This Trust Agreement and Trust hereby evidenced shall be known  
as the **"GREEN MOUNTAIN COFFEE, INC. EMPLOYEE STOCK OWNERSHIP TRUST."**

**ARTICLE 2 Management and Control of Trust Fund Assets**

**2.1 The Trust Fund**

The "Trust Fund" as at any date means all property of every kind then held by the Trustee pursuant to this Agreement.

**2.2 Collective Investment**

Except as is necessary to comply with the requirements of subsection 2.6, the Trustee may manage, invest and account for all contributions made by the several Employers under the Plan as one Trust Fund.

**2.3 Allocation and Segregation of Funds Among Employers**

The Trustee is directed to maintain at all times such records as will enable it to effect, as of any time, an equitable allocation and segregation of the assets of the Trust Fund into one or more separate funds held for the exclusive benefit of each Employer. If the Administrator notifies the Trustee (in writing) to effect such allocation and segregation, the Trustee shall do so as soon thereafter as practicable. Thereafter, the Trustee shall administer such separate fund in accordance with the otherwise-applicable provisions of this Trust, or, if so directed by the Administrator, shall deliver the assets of such separate fund to such successor trustee as shall be designated by the Administrator.

If, for any reason, it becomes necessary to determine the portion of the Trust Fund allocable to each of the employees and former employees of any Employer as of any date, the Administrator shall specify such date as an Accounting Date, and after all adjustments required under the Plan as of that Accounting Date have been made, the portion of the Trust Fund attributable to each of the employees and former employees shall be determined by the Trustee with the assistance and cooperation of the Administrator and shall consist of an amount equal to the aggregate of the account balances of each employee and former employee of that Employer plus an amount equal to any allocable contributions made by that Employer since the close of the immediately preceding Plan Year.

**2.4 Withdrawals**

For the purpose of making payment or distribution of benefits or expenses that become payable or distributable in the ordinary course of administering the Plan, the Plan may withdraw any part or all of the account balance in any Fund at any time. Such a withdrawal will be deemed to have been made whenever the Trustee makes a distribution at the direction of the Administrator to a person or persons designated to receive such distribution by the Administrator. The Trustee may distribute the Plan's entire account balances in the Trust Fund as of any Accounting Date if directed to do so by the Administrator and shall do so if it is notified that:

(a) The Plan is no longer a qualified plan; or

(b) The Plan either no longer contains provisions permitting deposits to be made to this Trust or no longer incorporates the provisions of this agreement by reference.

Any distribution may be made in cash or in property, or partly in each, as determined by the Administrator, except that any property included in any distribution shall be valued at its fair market value as of the date of distribution, as determined by the Trustee. Whenever a distribution is made as of a date other than the Accounting Date, the Plan's account balance will be charged no later than the Accounting Date next following the date the withdrawal is made by the dollar amount of the withdrawal.

## 2.5 Responsibility of Trustee

The Trustee shall not be responsible in any way for the adequacy of the Trust Fund to meet and discharge any or all liabilities under the Plan or for the proper application of distributions made or other action taken upon the written direction of the Administrator. The powers, duties and responsibilities of the Trustee shall be limited to those set forth in this Trust Agreement, and nothing contained in the Plan, either expressly or by implication, shall be deemed to impose any additional powers, duties or responsibilities on the Trustee.

## 2.6 General Powers

Subject to the provisions of paragraphs 2.8 and 2.9 and Article 3, with respect to the Trust Fund, the Trustee shall have the following powers, rights and duties in addition to those provided elsewhere in this Trust Agreement or by law:

(a) to receive and to hold all contributions paid to it under the Plan; provided, however, that the Trustee shall have no duty to require any contributions to be made to it, to determine that the contributions received by it comply with the provisions of the Plan or with any resolution of the Board providing therefor;

(b) as directed by the Administrator, to retain in cash (pending investment, reinvestment or the distribution of dividends) such reasonable amount as may be required for the proper administration of the Trust and to invest such cash as provided in paragraph 3.1;

(c) as directed by the Administrator, to make distributions from the Trust Fund to such persons, in such manner, at such times and in such forms (stock of the Company ("Company Stock"), cash or a combination of both) as directed without inquiring as to whether a payee is entitled to the payment, or as to whether a payment is proper, and without liability for a payment made in good faith without actual notice or knowledge of the changed condition or status of the payee. If any payment of benefits directed to be made from the Trust Fund by the Trustee is not claimed, the Trustee shall notify the Administrator of that fact promptly. The Administrator shall make a diligent effort to ascertain the whereabouts of the payee or distributee of benefits returned unclaimed. The Trustee shall dispose of such payments as the Administrator shall direct. The Trustee shall have no obligation to search for or ascertain the whereabouts of any payee or distributee of benefits from the Trust Fund;

(d) to vote any stocks (including Company Stock, which shall be voted as provided in Section 13(b) of the Plan, as that Section may be amended from time to time), bonds or other securities held in the Trust, or otherwise consent to or request any action on the part of the issuer in person, by proxy or power of attorney;

(e) to contract or otherwise enter into transactions between itself, as Trustee, and the Company or any Company shareholder, for the purpose of acquiring or selling Company Stock and, subject to the provisions of paragraph 2.8, to retain such Company Stock;

(f) to compromise, contest, arbitrate, settle or abandon claims and demands by or against the Trust Fund;

(g) to begin, maintain or defend any litigation necessary in connection with the investment, reinvestment and administration of the Trust, and, to the extent not paid from the Trust Fund, the Company shall indemnify the Trustee against all expenses and liabilities reasonably sustained or anticipated by it by reason thereof (including reasonable attorneys' fees);

(h) to retain any funds or property subject to any dispute without liability for the payment of interest, or to decline to make payment or delivery thereof until final adjudication is made by a court of competent jurisdiction;

(i) to report to the Company as of the last day of each Plan Year of the Plan (which shall be the same as the Trust's fiscal year), as of any Accounting Date (or as soon thereafter as practicable), or at such other times as may be required under the Plan, the then "Net Worth" of the Trust Fund, that is, the fair market value of all property held in the Trust Fund, reduced by any liabilities other than liabilities to Participants in

the Plan and their Beneficiaries, as determined by the Trustee;

(j) to furnish to the Company an annual written account and accounts for such other periods as may be required under the Plan, showing the Net Worth of the Trust Fund at the end of the period, all investments, receipts, disbursements and other transactions made by the Trustee during the accounting period, and such other information as the Trustee may possess which the Company requires in order to comply with Section 103 of ERISA. The Trustee shall keep accurate accounts of all investments, earnings thereon, and all accounts, books and records related to such investments shall be open to inspection by any person designated by the Company or the Administrator. All accounts of the Trustee shall be kept on an accrual basis. If, during the term of this Trust Agreement, the Department of Labor issues regulations under ERISA regarding the valuation of securities or other assets for purposes of the reports required by ERISA, the Trustee shall use such valuation methods for purposes of the accounts described by this subparagraph. If shares of Company Stock are not traded with sufficient volume or frequency, as determined by the Administrator, to be considered as being readily tradable on a national securities market or exchange, all valuations of shares of Company Stock shall originally be made by an independent appraiser (as described in Section 401(a)

(28)(C) of the Code) retained by the Trustee, and reviewed and finalized by the Trustee in accordance with Section 3(18)(B) of ERISA. The Company may approve such accounting by written notice of approval delivered to the Trustee or by failure to express objection to such accounting in writing delivered to the Trustee within thirty (30) days from the date upon which the accounting was delivered to the Company. Upon the receipt of a written approval of the accounting, or upon the passage of the period of time within which objection may be filed without written objections having been delivered to the Trustee, such accounting shall be deemed to be approved, and the Trustee shall be released and discharged as to all items, matters and things set forth in such account, as fully as if such accounting had been settled and allowed by decree of a court of competent jurisdiction in an action or proceeding in which the Trustee, the Company and all persons having or claiming to have any interest in the Trust Fund or under the Plan were parties.

(k) to pay any estate, inheritance, income or other tax, charge or assessment attributable to any benefit which, it shall or may be required to pay out of such benefit; and to require before making any payment such release or other document from any taxing authority and such indemnity from the intended payee as the Trustee shall deem necessary for its protection;

(l) to employ and to reasonably rely upon information and advice furnished by agents, attorneys, Independent Appraisers, accountants or other persons of its choice for such purposes as the Trustee considers desirable;

(m) to assume, until advised to the contrary, that the Trust evidenced by this Agreement is qualified under Section 401(a) of the Code and is entitled to tax exemption under Section 501(a) thereof;

(n) as directed by the Administrator, to invest and reinvest the assets of the Trust Fund in personal property of any kind, including, but not limited to bonds, notes, debentures, mortgages, equipment trust certificates, investment trust certificates, guaranteed investment contracts, preferred or common stock (including stock of the Company or an affiliate), registered investment companies; provided, however, that all investments in Company Stock or stock of an affiliate shall be undertaken pursuant to the provisions of paragraph 3.1. The Trustee shall follow the directions of the Administrator and shall have no duty or obligation to review the assets from time to time so acquired, nor to make any recommendations with respect to the investment, reinvestment or retention thereof;

(o) to exercise any options, subscription rights and other privileges with respect to Trust assets, subject to the provisions of Article 3;

(p) to register ownership of any securities or other property held by it in its own name or in the name of a nominee, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and may hold any securities in bearer form, but the books and records of the Trustee shall at all times reflect that all such investments are part of the Trust;

(q) to borrow such sum or sums from time to time as the Trustee considers necessary or desirable and in the best interest of the Trust Fund, including to purchase Company Stock, and to enter into such agreements as the Trustee determines necessary or appropriate to accomplish such actions, and for that purpose to mortgage or pledge any part of the Trust Fund (subject to the provisions of Code Section 4795(c) and the regulations issued thereunder);

(r) to deposit securities with a clearing corporation as defined in Article 8 of the Delaware Uniform Commercial Code. The certificates representing securities, including those in bearer form, may be held in bulk form with, and may be merged into, certificates of the same class of the same issuer which constitute assets of other accounts or owners, without certification as to the ownership attached. Utilization of a book-entry system may be made for the transfer or pledge of securities held by the Trustee or by a clearing corporation. The Trustee shall at all times, however, maintain a separate and distinct record of the securities owned by the Trust;

(s) to participate in and use the Federal Book-Entry Account System, a service provided by the Federal Reserve Bank for its member banks for deposit of Treasury securities;

(t) as directed by the Administrator, to invest a portion of the assets of the Trust Fund in any collective trust fund, including a collective trust fund of the Trustee or its affiliate, which is maintained as a medium for the collective investment of funds of pension, profit sharing or other employee benefit plans, and which is qualified under Section 401(a) of the Code and is exempt from taxation under Section 501(a) of the Code, and any assets invested in such collective trust fund shall be held and invested pursuant to the terms and conditions of the trust agreement or declaration establishing such trust, which are hereby incorporated by reference and shall prevail over any contrary provisions of this Trust Agreement.

(u) to appoint a bank, trust company, or broker or dealer registered under the Securities Exchange Act of 1934 to act as custodian with respect to any portion of the trust fund; and a custodian so appointed shall have custody of such assets as are deposited with it and, as custodian, such rights, power and duties with respect thereto as shall be agreed upon from time to time by the Trustee and such custodian; and

(v) to perform any and all other acts which are necessary or appropriate for the proper management, investment and distribution of the Trust Fund.

## 2.7 Compensation and Expenses

The Trustee shall be entitled to reasonable compensation for its services, as agreed to between the Company and the Trustee from time to time in writing and to reimbursement of all reasonable expenses incurred by the Trustee in the administration of the Trust, provided, however, if the Trustee is an employee at the Company, the Trustee shall not receive compensation for its services as trustee but may have his expenses reimbursed. The Trustee is authorized to pay from the Trust Fund all expenses of administering the Plans and Trust, including its compensation and any accounting and legal expenses, to the extent they are not paid directly by the Employers. The Trustee shall be fully protected in making payments of administrative expenses pursuant to the written directions of the Administrator.

## 2.8 Exercise of Trustee's Duties

The Trustee shall discharge its duties hereunder solely in the interest of the Plan's Participants and other persons entitled to benefits under the Plan, and:

(a) for the exclusive purpose of:

(i) providing benefits to Participants and other persons entitled to benefits under the Plan; and

(ii) defraying reasonable expenses of administering the Plan;

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(c) in accordance with the documents and instruments governing the Plan unless, in the good faith judgment of the Trustee, the documents and instruments are not consistent with the provisions of ERISA or this Trust Agreement.

## 2.9 Plan Administration

The Plan shall be administered by the Administrator. Except as provided in paragraph 2.6, the Trustee shall have no authority to administer the Plan unless directed by the Administrator. The Administrator may authorize one or more individuals to sign all communications between the Administrator and Trustee and shall at all times keep the Trustee advised of the names of the members of the Administrator and individuals authorized to sign on behalf of the Administrator, and provide specimen signatures thereof. With the Trustee's prior written consent, the Administrator may authorize the Trustee to act without specific directions or other directions or instructions from the Administrator on any matter or class of matters with respect to which directions or instructions from the Administrator are called for hereunder. The Trustee shall be fully protected in relying on any communication sent by any authorized person and shall not be required to verify the accuracy or validity of any signature unless the Trustee has reasonable grounds to doubt the authenticity of any signature. If the Trustee requests any directions hereunder and does not receive them, the Trustee shall act or refrain from acting, as it may determine, with no liability for such action or inaction.

## 2.10 Continuation of Powers Upon Trust Termination

Notwithstanding anything to the contrary in this Agreement, upon termination of the Trust, the powers, rights and duties of the Trustee hereunder shall continue until all Trust Fund assets have been liquidated.

# **ARTICLE 3 Provisions Related to Investment in Company Stock**

## 3.1 Investment of Cash

If an Employer's contribution made pursuant to the terms of the Plan for any plan year for the purpose of amortizing an acquisition loan is in cash, such cash shall be used by the Trustee first to make any scheduled amortization payment on an acquisition loan and, if any amounts remain thereafter, shall be used as the Trustee determines in his discretion. Subject to the provisions of paragraph 2.8, any cash dividends received by the Trustee on Company Stock held in the Trust Fund shall be applied, after the receipt of such cash dividends, as provided by the Plan. The Trustee has the discretion to purchase Company Stock with the assets contained in the Participants' ESOP Cash Accounts, unless prohibited by ERISA. The Trustee may purchase Company Stock from the Company or from any shareholder, and such stock may be outstanding, newly issued or treasury stock. All such purchases must be at a price not in excess of fair market value, as determined by an Independent Appraiser where such stock is not publicly traded. Pending investment of cash in Company Stock, such cash may be invested in

savings accounts, certificates of deposit, high-grade short-term securities, common or preferred stocks, bonds, or other investments, or may be held in cash. Such investments may include any common or collective funds or mutual funds (including a common, collective, or mutual fund for which the Trustee or one of the affiliates of the Trustee serves as investment advisor) or other types of short-term investments.

### 3.2 Stock Dividends, Splits and Other Capital Reorganizations

Any Company Stock received by the Trustee as a stock split, dividend distributions with regard to stock or as a result of a reorganization or other recapitalization of the Company shall be allocated as of each Accounting Date under the Plan in proportion to the Company Stock to which it is attributable.

### 3.3 Voting of Shares and Tender or Exchange Offers

Company Stock held in the Trust Fund shall be voted by the Trustee in the manner set forth in the Plan. If any tender or exchange or similar offer to purchase all or any portion of outstanding Company Stock is made by any person, the Trustee shall tender the shares as provided in the Plan.

### 3.4 Put Option

If the distribution of a Participant's Account is to be made in cash, if a Participant exercises his put option rights under the Plan, or the Trustee expects to incur substantial Trust expenses which will not be paid directly by the Employers, and the Trustee determines that the Trust Fund has insufficient cash to make anticipated distributions or pay Trust expenses, the Trust shall have a "Put Option" on Company Stock it holds to the Company for the purpose of making such anticipated distributions and paying such expenses. The purchase price for the sale of stock by the Trustee to the Company shall be the fair market value of the stock as of the date of the sale, as determined under the provisions of the Plan.

## **ARTICLE 4 Miscellaneous**

### 4.1 Disagreement as to Acts

If there is a disagreement between the Trustee and anyone as to any act or transaction reported in any accounting, the Trustee shall have the right to have its account settled by a court of competent jurisdiction.

### 4.2 Persons Dealing with Trustee

No person dealing with the Trustee shall be required to see to the application of any money paid or property delivered to the Trustee, or to determine whether or not the Trustee is acting pursuant to any authority granted to it under this Agreement or the Plan.

### 4.3 Benefits May Not Be Assigned or Alienated

The interests under the Plan and this Agreement of Participants and other persons entitled to benefits under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except to the extent that the Administrator directs the Trustee that any such interests are subject to a qualified domestic relations order, as defined in Section 414(p) of the Code.

### 4.4 Evidence

Evidence required of anyone under this Agreement may be by certificate, affidavit, document or other instrument that the person acting in reliance thereon considers pertinent and reliable, and signed, made or presented by the proper party.

### 4.5 Waiver of Notice

Any notice required under this Agreement may be waived in writing by the person entitled thereto.

### 4.6 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and no other counterparts need be produced.

### 4.7 Governing Laws and Severability

This Agreement shall be construed and administered according to the laws of the State of Delaware to the extent that such laws are not preempted by the laws of the United States of America. If any provision of this Agreement is held illegal or invalid, the illegality or invalidity shall not affect the remaining provisions of the Agreement, but shall be severable, and the Agreement shall be construed and enforced as if the

illegal or invalid provision had never been inserted herein.

4.8 Successors This Agreement shall be binding on the Employers, and any successor thereto by virtue of any merger, sale, dissolution, consolidation or reorganization, on the Trustee and its successor, and on all persons entitled to benefits under the Plan and their respective heirs and legal representatives.

#### 4.9 Action

Any action required or permitted to be taken by the Company under this Agreement shall be by resolution of its Board of Directors or by a person or persons authorized by resolution of its Board of Directors. The Trustee shall not recognize or take notice of any appointment of any representative of the Company or Administrator unless and until the Company or the Administrator shall have notified the Trustee in writing of such appointment and the extent of such representative's authority. The Trustee may assume that such appointment and authority will continue in effect until it receives written notice to the contrary from the Company or Administrator. Any action taken or omitted to be taken by the Trustee by authority of any representative of the Company or Administrator within the scope of his authority shall be as effective for all purposes hereof as if such action or nonaction had been authorized by the Company or Administrator.

#### 4.10 Conformance with Plan

Unless otherwise indicated in this Trust Agreement, all capitalized terms shall have the meaning as stated in the Plan. To the extent the provisions of the Plan and this Agreement conflict, the provisions of the Plan shall govern; provided however, that the Trustee's duties and obligations shall be determined solely under this Trust Agreement.

#### 4.11 Indemnification

In addition to any indemnification provided in a separate agreement between the Company and the Trustee, the Company shall indemnify and save harmless the Trustee from and against any and all liability, including all expenses reasonably incurred in his defense, for actions taken by the Trustee taken in good faith under the terms of this Trust Agreement.

#### 4.12 Gender and Number

Where the context admits, words in the masculine gender include the feminine and neuter genders, the plural includes the singular, and the singular includes the plural.

#### 4.13 Headings

The headings of Sections of this Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Agreement.

### **ARTICLE 5 No Reversion to Company**

No part of the corpus or income of the Trust Fund shall revert to any Employer or be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons entitled to benefits under the Plan, provided, however, that:

(a) Each Employer's contribution under the Plan is conditioned on the initial qualification of the Plan as applied to that Employer under Section 401(a) of the Code and if the Plan does not so initially qualify, the Trustee shall, upon written direction of the Administrator, return to that Employer the amount of such contribution and any increment thereon within one calendar year after the date that qualification of the Plan, as applied to that Employer, is denied, but only if the application for qualification is submitted within the time prescribed by law.

(b) If, upon termination of the Plan with respect to any Employer, any amounts are held in a 415 Suspense Account which are attributable to the contributions of such Employer and such amounts may not be credited to the Accounts of Participants, such amounts, upon the written direction of the Administrator, will be returned to that Employer as soon as practicable after the termination of the Plan with respect to that Employer.

(c) Employer contributions under the Plan are conditioned upon the deductibility thereof under Section 404 of the Code, and, to the extent any such deduction of an Employer is disallowed, the Trustee shall, upon the written direction of the Administrator, return the amount of the contribution (to the extent disallowed), reduced by the amount of any losses thereon, to the Employer within one year after the date the deduction is disallowed.

(d) If a contribution or any portion thereof is made by an Employer by a mistake of fact, the Trustee shall, upon written direction of the Administrator, return the amount of the contribution or such portion, reduced by the amount of any losses thereon, to the Employer within one year after the date of payment to the Trustee.

Notwithstanding the foregoing, the Trustee has no responsibility as to the sufficiency of the Trust Fund to provide any distribution to an

Employer under this Article V.

## **ARTICLE 6 Change of Trustee**

### **6.1 Resignation**

The Trustee may resign at any time by giving thirty (30) days advance written notice to the Board of Directors of the Company.

### **6.2 Removal of the Trustee**

The Company, acting through its Board of Directors may remove the Trustee by giving thirty (30) days advance written notice to the Trustee, subject to providing the removed Trustee with satisfactory written evidence of the appointment of a successor Trustee and of the successor Trustee's acceptance of the trusteeship.

### **6.3 Duties of Resigning or Removed Trustee and of Successor Trustee**

If the Trustee resigns or is removed, it shall promptly transfer and deliver the assets of the Trust Fund to the successor Trustee, and may reserve such amount to provide for the payment of all fees, expenses and taxes then or thereafter chargeable against the Trust Fund, to the extent not previously paid by the Company. The Company shall be obligated to reimburse the Trust for any amount reserved by the Trustee. Within 120 days, the resigned or removed Trustee shall furnish to the Company and the successor Trustee an account of its administration of the Trust from the date of its last account. Each successor Trustee shall succeed to the title to the Trust Fund vested in his predecessor without the signing or filing of any further instrument, but any resigning or removed Trustee shall execute all documents and do all acts necessary to vest such title or record in any successor Trustee. Each successor shall have all the powers, rights and duties conferred by this Trust Agreement as if it were the originally named Trustee. No successor Trustee shall be personally liable for any act or failure to act of a predecessor Trustee and no predecessor trustee shall be liable for any act of a successor trustee. With the approval of the Administrator, a successor Trustee may accept the account rendered and the property delivered to it by its predecessor Trustee as a full and complete discharge to the predecessor Trustee without incurring any liability or responsibility for so doing.

### **6.4 Filling Trustee Vacancy**

The Board of Directors of the Company shall fill a vacancy in the office of Trustee as soon as practicable by a writing filed with the person or entity appointed to fill the vacancy.

### **6.5 Successor Trustee**

In the event of the resignation of the Trustee pursuant to Section 6.1, or the removal of the Trustee pursuant to Section 6.2, the successor Trustee appointed by the Administrator with the consent of the Company pursuant to Section 6.4 shall be a corporation experienced in the fiduciary aspects of leveraged employee stock ownership plans and in the business of providing trust and fiduciary services to such plans.

## **ARTICLE 7 Additional Employers**

Any Controlled Group Member (as defined below) may become a party to this Trust Agreement by:

- (a) filing with the Company and the Trustee a certified copy of a resolution of its Board of Directors to that effect; and
- (b) filing with the Trustee a certified copy of a resolution of the Board of Directors of the Company consenting to such action.

A "Controlled Group Member" is any corporation, trade or business during any period in which it is, along with the Company, a member of a controlled group of corporations, a group of trades or businesses under common control or an affiliated service group, as described in section 414(b), 414(c) and 414(m), respectively, of the Code or as described in regulations issued by the Secretary of the Treasury or his delegate pursuant to section 414(o) of the Code.

## **ARTICLE 8 Amendment and Termination**

### **8.1 Amendment**

While the Employers expect and intend to continue the Trust, the Company reserves the right to amend the Trust at any time pursuant to an action of the Company's Board of Directors, except that no amendment shall change the rights, duties and liabilities of the Trustee under this Trust Agreement without its prior written agreement, nor reduce a Participant's benefits to less than the amount such Participant would be entitled to receive if such Participant had resigned from the employ of the Employers on the date of the amendment. Amendments to the Trust shall be effective upon execution of such amendments by the Board of Directors of the Company.

## 8.2 Termination

The Trust may be terminated as to all Employees on any date specified by the Board of Directors of the Company. The Trust will terminate as to any Employer on the first to occur of the following:

- (a) the date it is terminated by that Employer;
- (b) the date such Employer's contributions to the Trust are completely discontinued;
- (c) the date such Employer is judicially declared bankrupt under Chapter 7 of the U.S. Bankruptcy Code; or
- (d) the dissolution, merger, consolidation, or reorganization of that Employer, or the sale by that Employer of all or substantially all of its assets, except that, with the consent of the Company, such arrangements may be made whereby the Trust will be continued by any successor to that Employer or any purchaser of all or substantially all of that Employer's assets, in which case the successor or purchaser will be substituted for that Employer under the Trust.

The Trustee's powers upon termination as described above will continue until liquidation of the Trust Fund, or the portion thereof attributable to an Employer, as the case may be. Upon termination of this Trust, the Trustee shall first reserve such reasonable amounts as it may deem necessary to provide for the payment of any expenses, fees or taxes then or thereafter chargeable to the Trust Fund. Subject to such reserve, the balance of the Trust Fund shall be liquidated and distributed by the Trustee to or for the benefit of the Participants or their beneficiaries, as directed by the Administrator after compliance with applicable requirements of ERISA, as amended from time to time, or other applicable law, accompanied by a certification that the disposition is in accordance with the terms of the Plans and the Trustee need not question the propriety of such certification. The Company shall have full responsibility to see that such distribution is

proper and within the terms of the Plans and this Trust.

IN WITNESS WHEREOF, the Company and Trustee have caused this Trust Agreement to be executed as of the day and year first above written.

**GREEN MOUNTAIN COFFEE, INC.**

By: Robert D. Britt

Its: Secretary/Treasurer

*/s/ Robert D. Britt*

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*Robert D. Britt*

**ChefExpress.net, Inc.**

Series A Convertible Preferred Stock  
Purchase Agreement

This Agreement is made by and between ChefExpress.net, Inc., a Delaware corporation ("Company") and Green Mountain Coffee Roasters ("Investor").

WHEREAS, Green Mountain Coffee Roasters is the holder of a Promissory Note of the Company dated March 21, 2000, in the amount of \$100,000; and

WHEREAS, on August 25, 2000 the Company made a written offer to redeem its outstanding Notes by issuing to Green Mountain Coffee Roasters 207,189 shares of its Series A Convertible Preferred Stock and 50,000 warrants for its Common Stock and on August 25, 2000 Investor accepted such offer. (Said Agreement is incorporated herein by reference as if fully set forth.)

NOW, THEREFORE, in consideration of the mutual covenants, promises and conditions herein set forth, the parties hereby agree as follows:

**1. AUTHORIZATION OF SERIES A PREFERRED; USE OF PROCEEDS.**

1.1 On or before the Closing Date (as defined below), Company shall have duly adopted and filed with the Secretary of State a Certificate of Designation (the "Designation") in the form attached to this Agreement as Exhibit A, to create and authorize 4,000,000 shares of Series A Preferred having the rights, privileges and preferences set forth in the Designation, and shall have taken all necessary corporate action for authorizing the sale and issuance of the Shares to Investor under this Agreement.

**2. ISSUANCE OF SHARES AND WARRANTS.** Subject to the terms and conditions of this Agreement, the Company will issue the Shares and Warrants to Investor in return for Investor canceling the above-described indebtedness. Investor shall deliver to the Company the original Promissory Notes marked paid in full on or before September 25, 2000. The Company shall deliver to the Investor a certificate in the form duly authorized by the Company in the name of the Investor representing the Shares. In addition, the Company and the Investor shall each deliver to the other original, signed counterpart copies of the Company's Shareholder Agreement (the "Shareholder Agreement") in the form attached hereto as Exhibit B. The Company agrees that all purchasers of Series A Preferred shall be required to enter into the Shareholder Agreement as a condition of their purchase.

**3. COMPANY'S REPRESENTATIONS.** Company represents and warrants to Investor, as of the date hereof and again as of the

Closing, which representations and warranties are each conditions to all of Investor's obligations under this Agreement, as follows:

3.1 The consummation of the transactions contemplated hereby will not result in any breach of, or constitute a default under, any indenture, agreement or other instrument or obligation to which Company is a party or by which Company may be bound.

3.2 Company has the full and unencumbered right, power and authority to issue and sell the Shares to Investor hereunder, free and clear of all mortgages, restrictions, liens, encumbrances and charges.

3.3 Company has not taken or omitted to take any action which may have a material adverse effect on the financial condition or operations of Company, that has not been heretofore disclosed to Investor.

3.4 None of the representations and warranties made by Company herein contains any untrue statement of a material fact, or omit any material fact the omission of which would be misleading.

**4. INVESTOR'S REPRESENTATIONS.** Investor represents and warrants to Company, as of the date hereof and again as of the Closing, which representations and warranties are each conditions to all of Company's obligations under this Agreement, as follows:

4.1 All matters relating to Company, its business, financial condition, results from operations and prospects and Investor's investment in the Shares and the shares of Common Stock of Company issued on any conversion of the Shares (the "Securities") have been explained to Investor to Investor's satisfaction. Investor understands the speculative nature and risks involved in Investor's investment and has been provided with all such information as Investor has requested. Investor understands that Investor should in no manner rely on the accuracy or validity of any financial information which may have been provided to Investor in forming a decision to invest in the Securities. Investor acknowledges that Company makes no representation as to the accuracy or validity of any financial information provided to Investor.

4.2 Investor understands that the Securities are highly speculative and that Investor's purchase of Securities is subject to a significant number of risks associated with Company's lack of operating history, including, but not limited to, the following: Company is very new having incorporated on October 6, 1999, has never been profitable and will operate at a loss, and has advised Investor that there can be no assurance that it will be profitable in the future; there are no funds provided from operations, and Company is depending on the proceeds from the Offering to provide substantially all of its initial capital, and the proceeds of the Offering may be insufficient to fund Company's ongoing

operations and expansion; if Company has insufficient funds, there can be no assurance that additional financing can be obtained on acceptable terms, if at all; Company's results of operations may fluctuate significantly from quarter to quarter; Company will depend upon a small number of key executive officers and consultants; and Company may be unable to retain the necessary personnel or acquire other resources necessary to implement its business plan.

4.3 Investor understands that Investor's purchase of Securities is subject to a significant number of additional risks associated with Company's agreements with its business partners and the industry in which it operates.

4.4 Investor understands that as part of Company's strategy to attain a competitive position, Company will rely on outside consulting companies and its ability in evaluating potential acquisitions of businesses, products, and technologies. Investor understands that Company does not have any experience in connection with entering into such transactions and that there can be no assurance that suitable acquisitions will be identified, that any acquisitions can be consummated or that any acquired businesses can be successfully integrated into Company's operations. In addition, Investor understands that any acquisitions may have a material adverse effect upon Company, particularly in the fiscal quarters immediately following the consummation of such transactions due to operational disruptions, unexpected expenses, and accounting charges which may be associated with the integration of such acquisitions.

4.5 Investor understands that a major portion of the information provided to Investor includes forward looking information as to Company's future operations and results. Investor understands that this information is based on assumptions as to events and conditions, many of which are beyond the control of Company, and that there can be no assurance that such events or conditions will occur, or that Company will achieve any positive results.

4.6 Investor is not acting on the basis of any promotional sales materials or representations and warranties with respect to Company, its business and financial condition, other than those contained in this Agreement or the other documents or written information furnished by Company upon request by Investor or Investor's advisors.

4.7 Investor is acquiring the Securities solely for Investor's own account and not for distribution, transfer, or resale to others.

4.8 Investor must bear the economic risk of the acquisition of the Securities for the foreseeable future because (a) the offer and sale of the Securities has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or applicable state securities laws, and (b) the Securities may therefore not be sold, transferred, pledged, or otherwise disposed of unless subsequently so registered or, in the opinion (satisfactory to Company) of counsel (satisfactory to Company) that registration under the Securities Act or any applicable state securities laws is not required.

4.9 Investor has been afforded the opportunity to ask questions of, and receive answers from, Company and all of its executive officers and directors and to obtain any additional information, to the extent that Company possesses such information and has, in general, had access to all information Investor has deemed material to an investment decision with respect to Investor's acquisition of the Securities.

4.10 Investor has adequate means of providing for Investor's current financial needs and possible personal contingencies and has no need for liquidity in Investor's investment in Company.

4.11 Investor is able to bear the economic risks inherent in Investor's investment in Company. Investor further acknowledges that an important consideration bearing on Investor's ability to bear the economic risk of Investor's acquisition of the Securities is whether Investor can afford a complete loss of Investor's entire investment in Company, and Investor can afford a complete loss of Investor's entire investment in Company.

4.12 Investor's overall commitment to investments that are not readily marketable is not disproportionate to Investor's net worth, and Investor's investment in Company will not cause such overall commitment to be disproportionate.

4.13 Investor has such knowledge and experience in financial and business matters that Investor is capable of evaluating the merits and risks of an investment in Company and of making an informed investment decision.

4.14 If Investor is other than an individual, Investor has not been organized or materially reorganized for the purpose of investing in Company, although such investment is consistent with its purposes.

4.15 Investor is not aware of any advertisement or general solicitation regarding an investment in Company.

4.16 Investor is not a foreign investor as defined by the United States Department of Commerce, and therefore Company shall not be required to file any Form BE-13 with the Department of Commerce with respect to this transaction.

4.17 None of the representations and warranties made by Investor herein contains any untrue statement of a material fact, or omit any material fact the omission of which would be misleading.

4.18 Investor acknowledges and agrees as follows:

(a) The Securities have not been registered under the Securities Act or the securities laws of any state, and are being offered and sold in reliance on exemptions from the registration requirements of the Securities Act and such laws. The Securities have not been approved or disapproved by the Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering. Any representation to the contrary is unlawful.

(b) The Securities are subject to restrictions on transferability and resale and may not be transferred or resold except (i) as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom; and (ii) in accordance with the Shareholders Agreement. Investor is aware that Investor may be required to bear the financial risks of this investment for an indefinite period of time.

4.19 Investor understands the meaning and legal consequences of Investor's representations and warranties herein. Investor understands that Company has relied and shall rely on Investor's representations and warranties, including without limitation in determining whether to offer and sell the Securities to Investor. Investor hereby agrees to indemnify and hold harmless Company and its controlling persons from and against any and all loss, damage, or liability due to or arising out of any misrepresentation or a breach of any warranties contained herein.

## 5. CONDITIONS TO CLOSING.

5.1 Conditions to Investors' Obligations. The obligation of Investor to purchase the Shares at the Closing is subject to the fulfillment on or before the Closing Date of the following conditions, the waiver of which shall not be effective unless Investor consents in writing to such waiver:

(a) The representations and warranties made by Company in this Agreement shall be true and correct in all material respects when made, and shall be true and correct on the Closing Date with the same force and effect as if they had been made on and as of said date, subject to changes contemplated by this Agreement. Company shall have performed all obligations and conditions in this Agreement required to be performed by it on or before the Closing Date.

(b) All authorizations, approvals, or permits of any governmental authority required in connection with the lawful issuance and sale of the Shares, the conversion of the Shares into Common, and the issuance of Common on conversion shall have been duly obtained and shall be effective on and as of the Closing date.

(c) The Designation shall have been filed with the Secretary of State of the State of Delaware and shall be in full force and effect on the Closing Date.

(d) At the time of the Closing, the purchase of the Shares shall be legally permitted by all laws and regulations to which the Investor and Company are subject.

(e) Company, Investor and each other shareholder of Company shall have entered into the Shareholder Agreement.

(f) Company shall have delivered to Investor a certificate representing the Shares to be purchased by such Investor, which Shares shall be issued in Investor's name as set forth in this Agreement.

(g) All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory in form and substance to Investor and Investor's counsel.

5.2 Conditions to Company's Obligations. Company's obligation to sell and issue the Shares at the Closing is subject to the fulfillment on or before the Closing Date of each of the following conditions:

(a) Investor's representations and warranties in this Agreement shall be true and correct when made, and shall be true and correct on the Closing Date with the same force and effect as if they had been made on and as of said date, subject to changes, if any, contemplated by this Agreement. Investor shall have performed all obligations and conditions in this Agreement required to be performed by Investor on or before the Closing Date.

(b) All authorizations, approvals, or permits of any governmental authority required in connection with the lawful issuance and sale of the Shares shall have been duly obtained and shall be effective on and as of the Closing Date.

(c) Investor shall have delivered the purchase price specified in Section 2.

6. Notices. Any and all notices, demands or other communications required or permitted to be given to a party hereunder (any of which, for purposes of this provision, a "Notice") shall be validly given if served in writing either personally, by facsimile, by deposit in the United States mail, first class postage prepaid, or by a recognized courier service to any address in the United States. Notices given (i) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt (or upon the date of attempted delivery where receipt is refused); (ii) by facsimile shall be conclusively deemed received upon the delivering party's written confirmation of facsimile transmission; and (iii) by mail shall be conclusively deemed given forty-eight (48) hours after the deposit thereof. Notices shall be addressed to each party at the address set forth below the party's signature. Any party may change its Notice address or may designate additional parties to receive

Notices by written notice given in the manner provided herein.

## 7. GENERAL PROVISIONS.

7.1 Severability. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision contained herein (or any portion thereof) and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail but the provision (or portion) which is affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law, and all other provisions hereof shall remain in full force and effect.

7.2 Further Assurances. Each party shall use its best efforts to cause any conditions to its obligations hereunder to be satisfied at or prior to the time by which such conditions must be satisfied hereunder. Each of the parties agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate the provisions hereof and the transactions contemplated hereby or reasonably requested by the other party to perfect or evidence such party's rights hereunder. Both parties shall use their best efforts to complete the transactions contemplated hereby as promptly as practicable. Each party shall promptly notify the other party of any information delivered to or obtained by such party which would prevent the consummation of the transactions contemplated hereby or would indicate a breach of any representations or warranties of any of the parties hereto.

7.3 Attorneys' Fees. In the event any action, including but not limited to any judicial reference or arbitration which may be provided herein, be instituted by a party in connection herewith, including without limitation any appeal of such action, any post-judgment actions (including but not limited to any actions to enforce any such judgment), and any bankruptcy proceedings related hereto, the prevailing party shall be entitled to its attorneys' fees, costs and expenses incurred in connection therewith. The provisions of the previous sentence shall survive and not be merged with any judgment and shall be severable from all other provisions hereof.

7.4 Modifications or Amendments. No amendment, change or modification hereto shall be valid unless in writing, stating that it is an amendment, change or modification hereto, and signed by all of the parties hereto.

7.5 Successors and Assigns. Except as assignment may be otherwise expressly prohibited or restricted herein, all of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties and their respective heirs, personal representatives, successors and assigns.

7.6 Terminology. Whenever the context requires herein, the masculine, feminine and neuter genders, and the singular and plural numbers, respectively, shall each include the others. As used in this Agreement, (i) "and/or" means one or the other or both, or any one or all, or any combination of the things or persons in connection with which the words are used; (ii) "person" includes individuals, partnerships, corporations, limited liability companies, business trusts and other entities of any kind or nature; (iii) "shall" or "will" denotes a mandatory action, and "may" denotes an optional action; and (iv) "herein", "hereof" and "hereunder" and similar terms refer to this Agreement in its entirety and are not limited to any specific provisions.

7.7 Time of the Essence. Time is of the essence hereof and of all the terms, provisions, covenants and conditions hereof.

7.8 Exhibits, Schedules and Other Documents. All exhibits attached hereto and referred to herein are hereby incorporated herein as though set forth at length.

7.9 Separate Counterparts. This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Any executed original counterpart copy hereof, together with the original signature pages of any other executed counterpart copies hereof, shall constitute and be one and the same instrument.

7.10 Entire Agreement. This document, together with any related documents referred to herein, constitutes the entire understanding and agreement of the parties with respect to the subject matter hereof, and any and all prior agreements, understandings or representations are hereby terminated and cancelled in their entirety and are of no further force or effect.

7.11 Captions; Construction. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the paragraph at the head of which it appears, the paragraph and not such caption shall control and govern in the construction of this document. This document has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with herein. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities contained herein against the party that has drafted it is not applicable and is waived. The provisions of this document shall be interpreted in a reasonable manner to effect the purpose of the parties and this document.

7.12 No Obligation to Third Parties. The execution and delivery of this document shall not be deemed to confer any rights upon, nor obligate any of the parties hereto, to any person or entity other than each other.

7.13 Applicable Law. This Agreement and the representations herein shall be governed by and construed under the laws of the State of Delaware and shall be binding upon and inure to the benefit Company's and Investor's respective heirs, executors, administrators, legal representatives, successors, and assigns.

The remainder of this page is intentionally blank.

8. Investor represents and warrants to Company that Investor is an "Accredited Investor" (as defined in Rule 501 of Regulation D promulgated under the Securities Act), and Investor has initialed Investor's qualification below:

- \_\_\_\_\_ A. Investor had an individual income in excess of \$200,000 (or joint income of \$300,000 with Investor's spouse) for each of 1998 and 1999 and reasonably expect an income in excess of \$200,000 (or joint income of \$300,000 with Investor's spouse) for 2000.
- \_\_\_\_\_ B. As of the date of this Agreement, Investor (either individually or with Investor's spouse) has a net worth in excess of \$1,000,000.
- \_\_\_\_\_ C. Investor is an entity in which all of the equity owners are "accredited investors."
- X  D. Other - see the definitions on Exhibit C hereto for other possible qualifications and provide the number of such qualification here:  3 .

Note: The term "net worth" means the excess of total assets over total liabilities. In computing net worth, your principal residence must be valued at cost, including cost of improvements, or at a recently appraised value (net of encumbrances) by an institutional lender making a secured loan.

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned.

/s/ Robert D. Britt

Date: 9/20/00

-----  
 Signature of Investor

Green Mountain Coffee Roasters, Inc.

03-0280558

-----  
 Print Name

-----  
 Soc. Sec. No. or IRS Employer ID Number

\_\_\_\_\_  
 Signature of Co-investor

Date: \_\_\_\_\_

\_\_\_\_\_  
 Print Name

Investment Amount:   
 \$103,594.50

Number of Shares @ \$0.50 per Share:   
 207,189

Address of Investor(s):   
 33 Coffee Lane

Investment is made as (check one only):

-----  
 Waterbury, VT 05676

Individual

Joint Tenants

Community Property

Tenants in Common

-----  
 Fax: \_\_\_\_\_

X Other (state: Corporation)

Accepted by ChefExpress.net, Inc.:

Date: 9/20/2000

By: /s/ William Davis

-----  
 Its: President

Address of Company:   
 1 ChefExpress Way   
 Waterbury, VT 05676   
 Fax: \_\_\_\_\_

## EXHIBIT C

### DEFINITION OF ACCREDITED INVESTOR

- 1) An individual having an individual net worth or a joint net worth with spouse at the time of purchase in excess of \$1,000,000;
- 2) An individual whose net income was in excess of \$200,000 in each of the two most recent years, or whose joint income with spouse was in excess of \$300,000 in each of those years, and who reasonably expects his net income to reach such level in the current year;
- 3) A corporation, partnership, Massachusetts or similar business trust, or organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (tax exempt organization), not formed for the specific purpose of acquiring the Shares having total assets in excess of \$5,000,000;
- 4) Any director, executive officer or general partner of the issuer of the Shares, or any director, executive officer or general partner of a general partner of that issuer;
- 5) A bank, savings and loan association or other similar institution (as defined in Sections 3(a)(2) and 3(a)(5)(A) of the Securities Act);
- 6) An insurance company (as defined in Section 2(13) of the Securities Act);
- 7) An investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act");
- 8) A business development company (as defined in Section 2(a)(48) of the Investment Company Act) or a private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940);
- 9) A Small Business Investment Company licensed by the U.S. Small Business Administration under Sections 301(c) or (d) of the Small Business Investment Act of 1958;
- 10) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended;
- 11) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit to its employees, which plan has total assets in excess of \$5,000,000;
- 12) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), if the investment decision is made by a "Plan Fiduciary", as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser;
- 13) An employee benefit plan within the meaning of ERISA having total assets in excess of \$5,000,000;
- 14) A self-directed employee benefit plan within the meaning of ERISA, with investment decisions made solely by persons who are accredited investors as defined in Rule 501(a) of Regulation D;
- 15) A trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring Shares whose purchase is directed by a sophisticated person (i.e., person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of any investment in the Shares); or
- 16) Any entity in which all of the equity owners are "accredited investors."

The term "net worth" means the excess of total assets over total liabilities. In computing net worth, your principal residence must be valued at cost, including cost of improvements, or at a recently appraised value (net of encumbrances) by an institutional lender making a secured loan.

**PROMISSORY NOTE**

**\$230,000 April 12, 2000**

The undersigned, Robert P. Stiller ("Payor"), promises to pay to Green Mountain Coffee Roasters, Inc. ("Payee") or order, the principal sum of Two Hundred and Thirty Thousand dollars (\$230,000) with interest accruing on the unpaid principal balance at a rate equal to the highest prime rate as reported by THE WALL STREET JOURNAL. The interest rate shall be adjusted as of the day following any change in the prime rate reported by THE WALL STREET JOURNAL. Interest shall be payable upon repayment of this note. The entire principal balance and accrued interest shall be due and payable on April 12, 2001.

Such payment shall be made at Payee's principal place of business at 33 Coffee Lane, Waterbury, Vermont 05676 or at such other place as the holder hereof may designate in writing, such payments and any other sum due hereunder to be made in lawful money of the United States of America.

This Note may be prepaid without penalty.

In the case of default, the Payor agrees to pay the reasonable cost of collection, including reasonable attorney's fees.

Every maker, guarantor and endorser waives presentment, demand, protest, and notice.

*Witness*

*/s/ Robert D. Britt*

-----  
*Robert D. Britt*

*Payor*

*/s/ Robert P. Stiller*

-----  
*Robert P. Stiller*

## ARTICLE 5

This schedule contains summary financial information extracted from the Balance Sheet dated 9/30/00 and the Statement of Operations for the fifty-three weeks ended 9/30/00 and is qualified in its entirety by reference to such financial statements.

CIK: 0000909954

NAME: GREEN MOUNTAIN COFFEE, INC.

MULTIPLIER: 1,000

PERIOD TYPE	OTHER
FISCAL YEAR END	SEP 30 2000
PERIOD START	SEP 26 1999
PERIOD END	SEP 30 2000
CASH	489
SECURITIES	0
RECEIVABLES	8,774
ALLOWANCES	320
INVENTORY	5,350
CURRENT ASSETS	580
PP&E	21,465
DEPRECIATION	10,191
TOTAL ASSETS	27,174
CURRENT LIABILITIES	8,374
BONDS	8,918
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	367
OTHER SE	9,650
TOTAL LIABILITY AND EQUITY	27,174
SALES	84,001
TOTAL REVENUES	84,001
CGS	50,465
TOTAL COSTS	50,465
OTHER EXPENSES	20,882
LOSS PROVISION	0
INTEREST EXPENSE	583
INCOME PRETAX	6,232
INCOME TAX	2,079
INCOME CONTINUING	4,153
DISCONTINUED	60
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,213
EPS BASIC	1.28
EPS DILUTED	1.21

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**End of Filing**

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