GREEN MOUNTAIN COFFEE ROASTERS INC

FORM 10-K
(Annual Report)

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(**Mark One)**
[X] Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 28, 2002

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. [X]

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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on December 5, 2002 was approximately $39,530,000 based upon the closing price of such stock on that date.

As of December 5, 2002, 6,850,546 shares of common stock of the registrant were outstanding. See "Market for the Registrant's Common Equity and Related Stockholder Matters."

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference in Part III, Items 10-13 of this Form 10-K.

This Form 10-K includes statements that constitute "forward-looking statements" within the meaning of federal securities regulations. For more detail regarding "forward-looking statements" see item 7 of Part II of this Form 10-K.

GREEN MOUNTAIN COFFEE, INC.

Annual Report on Form 10-K

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PART I

Item 1. Business

Overview

Green Mountain Coffee, Inc. (*"the Company"* or *"Green Mountain"* or *"Green Mountain Coffee")* is a leader in the specialty coffee industry. The Company sells over 90 coffee selections through a coordinated multi-channel distribution network in its wholesale and consumer direct 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 7,000 wholesale customer accounts located primarily in the eastern United States. The wholesale operation serves supermarket, specialty food store, convenience store, food service, hotel, restaurant, university, travel and office coffee service customers. Wholesale customers resell the coffee in whole bean or ground form for home consumption and/or brew and sell coffee beverages at their place of business.

The Company

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 2002" or "fiscal 2001" represent the 52-week periods ended September 28, 2002 and September 29, 2001, 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* . The address of the Company's Internet website is *www.GreenMountainCoffee.com* .

The Product

Green Mountain roasts high-quality arabica coffees and offers over 90 coffee selections including single-origins, estates, certified organics, Fair Trade, proprietary blends, and flavored coffees that it sells under the Green Mountain Coffee Roasters ® and Newman's Own ® Organics brands. The Company carefully selects its coffee beans and then *appropriately roasts* the coffees to maximize their taste and flavor differences.

The Company roasts its coffee in 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 the subtleties of a particular coffee's taste. 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 profiles for each bean type and degree of roast 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 technology in many of its packages 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 bean, fractional packages, and one-cup Keurig ® portions. The packaging equipment for Keurig K-Cup ® portion packs is owned by Green Mountain Coffee. Green Mountain pays a royalty to Keurig, Incorporated 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 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 15 to 20 percent), by increasing market share in existing markets, expanding into new geographic markets, and selectively pursuing other opportunities, including opportunistic acquisitions. This statement is forward-looking and subject to the risks and uncertainties outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the heading, "Forward-looking information."

In recent years, the primary growth in the coffee industry has come from the specialty coffee category, driven by the wider availability of high quality coffee, the emergence of upscale coffee shops throughout the country, and the general level of consumer knowledge of and appreciation for coffee quality. Green Mountain 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 participates in many special event activities, providing great sampling opportunities and visibility to the brand.

The Company believes that its coffees' 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. 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 2002* study, states that "79 % 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 interrelationship. This 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, convenience store and supermarket channels.

In the consumer direct area, the Company focuses solicitations on catalog customers who buy regularly from the Company, including members of the Company's "Coffee Club," a continuity program with customized standing orders for automatic re-shipment. A large portion of the Company's efforts in the consumer direct channel has been directed towards increasing traffic on its website (www.GreenMountainCoffee.com), that along with the catalog is intended to build brand awareness nationwide and boost direct sales to consumers in the Company's less mature geographic markets.

Recent Developments

Acquisitions. In fiscal 2002, Green Mountain acquired a 42% ownership interest in Keurig, Incorporated ("Keurig"). Keurig manufactures brewing equipment that allows users to brew high-quality specialty coffee one cup at a time. Green Mountain has been involved with Keurig since 1994 supporting the development of a single-cup brewing system. Green Mountain was also the first licensed roaster/ distributor partner with Keurig. Keurig seeks to license OCS distributors to sell and distribute K-Cups ® and brewers to offices both nationally and internationally. Green Mountain is one of four coffee roasters that manufactures and distributes the K-Cups used to brew coffee by the cup in the Keurig system throughout North America. Green Mountain purchased the shares from early investors in Keurig for a price of approximately $15 million.

Through the purchase, Green Mountain has established a stronger relationship with Keurig and its management team. The Company is supporting the testing of the Keurig ® Single-Cup Brewer for the home market and is looking for ways to continue to grow the Keurig business in the office coffee service (OCS) channel.

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

New products. During fiscal 2002, the Company converted all its Frontier-branded coffees to the Green Mountain brand. The Company also developed an exclusive co-branded line of Fair Trade/organic coffee for Wild Oats Markets as described below.

In October 2002, Green Mountain Coffee Roasters signed a licensing agreement with Newman's Own Organics, Inc. Under the agreement, Green Mountain will produce and distribute a line of Fair Trade/organic coffees co-branded under the Newman's Own ® Organics and Green Mountain Coffee Roasters brand names.

Concurrent with the signing of the agreement, Green Mountain introduced a line of six co-branded Newman's Own ® Organics coffees. Initially, the coffees are available only for direct purchase by consumers through the Company's catalog and/or website. Green Mountain is now in the process of scheduling appointments to present the line to selected supermarket chains and it is expected that this new product line will begin to ship to a variety of supermarkets in 2003. Consequently, Green Mountain now has the broadest selection of Fair Trade/organic coffees in the industry.

Customers. The Company continued to experience solid growth in its wholesale business in fiscal 2002. During the year, it acquired and/or deepened relationships with several large customers.

In the convenience store channel, the Company's relationship with Exxon Mobil Corporation ("ExxonMobil") was further expanded. ExxonMobil continues to be Green Mountain's largest customer with over 1,900 locations at September 28, 2002, including over 1,000 locations serviced by ExxonMobil's distributor McLane Company. This represents an increase of approximately 200 locations over the prior year.

The supermarket channel continued to show healthy year-over-year pounds sold growth of 20% in fiscal 2002. The Company announced in October 2001 that it would significantly expand its presence in 27 Kings Super Markets located in northern New Jersey and Long Island. Kings offers 60 Green Mountain coffee varieties, including Fair Trade and organic selections, as well as coffee by the cup in all its locations. In addition to these 60 coffees, in May 2002, Kings and Green Mountain introduced 6 new co-branded coffees for King's Connoisseur line.

In January 2002, Green Mountain was selected to be the exclusive bulk coffee supplier to 105 Price Chopper supermarkets. As part of the program, a wide variety of our packaged coffees are also available. Green Mountain products became available in these stores in early 2002. The successful introduction of Green Mountain in these two chains was a key reason for the strong growth in the supermarket channel in fiscal 2002.

At the end of fiscal 2002, Green Mountain announced that it had been selected as the exclusive supplier of bulk certified Fair Trade and organic coffees for Wild Oats Markets. Wild Oats is a leading chain in the rapidly growing natural foods category. Green Mountain will offer a wide variety of bulk and packaged coffees in Wild Oats' stores, including an exclusive line of six coffees co-branded with Wild Oats. In addition, Wild Oats and Green Mountain will collaborate on projects in coffee growing areas to improve the lives of coffee farmers and their families.

Sales in the OCS channel were flat in fiscal 2002. In November 2002, Green Mountain announced that it had expanded its relationship with ARAMARK, a leading distributor in the OCS market. ARAMARK became an authorized distributor of the Keurig Premium Coffee Systems™ and Green Mountain will provide K-Cups ® to ARAMARK for use in brewers that they distribute nationwide. This program will begin in early 2003.

In the fourth quarter of fiscal 2002, Green Mountain announced that it had become an authorized supplier to Sodexho customers in the northeast. Sodexho provides food service products and services to business and industry, and colleges and universities, as well as hospital and health care facilities. Management believes this relationship has the potential to significantly expand the availability of Green Mountain's Fair Trade/organic coffees on college campuses throughout the northeast.

Finally, Green Mountain renewed its supply contract with The National Arbor Day Federation in fiscal 2002. Under this agreement, Green Mountain roasts and regularly ships certified organic and Fair Trade coffee to individual members of National Arbor Day. This program is similar to Green Mountain's "club" program and is part of the Company's consumer direct business.

Coffee pounds shipped in fiscal 2002 and fiscal 2001 (in thousands), broken down by sales channel, are as follows:

Channel	**52 weeks ended 9/28/02**	**52 weeks ended 9/29/01**	**Full Year Y/Y lb. Increase**	**Full Year % Y/Y lb. Increase**
Supermarkets	27.2%	24.7%	603	19.7%
Convenience Stores	29.6%	29.0%	400	11.1%
Other Retail	1.9%	2.0%	7	2.8%
Restaurants	8.5%	9.3%	(3)	-0.3%

Office Coffee Service Distributors	22.4%	24.2%	24	0.8%
Other Food Service	7.4%	8.4%	(43)	-4.1%
Consumer Direct	3.0%	2.4%	108	36.1%
Totals	**13,504**	**12,408**	**1,096**	**8.8%**

Note 1: Certain prior year customer channel classifications were reclassified to conform to current year classifications.
Note 2: Coffee pounds shipped to several of the former Frontier distributors have been reclassified from Other Retail and Other Food Service to the Supermarket channel to reflect the fact that most of their sales are to natural food grocery stores.
Note 3: Includes 72,000 coffee pounds shipped in fiscal 2002 but not received by customers at 9/28/02.

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.

Outstanding 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 responsiveness to customer needs, the Company has established regional distribution centers to supply coffee to its wholesale customers 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. The Company's online ordering application on its website (www.GreenMountainCoffee.com) is fully integrated with the Company's PeopleSoft ® 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, 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 500 employees of Green Mountain's customers attended Coffee College in fiscal 2002, primarily at the Company's Java University located in Waterbury, Vermont.

The Company's consumer direct catalog and website provide an overview of the unique qualities of the different coffees from around the world and the various degrees of roast. They also provide updates on the current coffee crisis and its impact on coffee-farming communities. 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, as well as a highly inclusive and collaborative work environment, is vital to attracting and retaining the most highly performing, qualified, and motivated employees. The Company offers numerous educational workshops and professional seminars, a leadership development program, a series of coffee knowledge classes and many other personal and professional development opportunities including David Allen's GettingThingsDone ® , and personal financial planning.

In connection with the introduction of its Employee Stock Purchase Plan in 2000, Green Mountain initiated a series of business literacy trainings for all its employee owners. The first three sessions have concentrated on learning fundamental business concepts, in general and as they apply to the coffee business in particular, as well as basic financial statement literacy. The Company has also rolled out "CEO" (Committed Engaged Owners) training to its managers and supervisors. This training focuses on more advanced financial statement literacy for non-financial managers.

Staff development programs provide employees the motivation and ability to offer Green Mountain customers the very best quality in service, fostering long-term relationships. In addition, Green Mountain adopted the Appreciative Inquiry process as one 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 a successful company because it is committed to social and environmental causes. In fiscal 2002, despite somewhat disappointing sales, the Company again contributed over 5% of its pre-tax income to various coffee farms, cooperatives and non-profit organizations in the USA and in coffee-producing countries, in the form of cash, products and paid employee time. Approximately 1,600 not-for-profit organizations in the USA benefited from cash or coffee product donations in fiscal 2002. Under a program called CAFE℠, or Community Action For Employees, the Company encourages its employees to perform volunteer work for non-profit and community-based organizations on company time. In fiscal 2002, the Company reimbursed 38% of its employees for 2,226 hours of community volunteer time, a 46% increase in participation compared to 2001.

The continuing coffee crisis commanded significant attention from the Company in fiscal 2002 as a third consecutive year of low commodity prices on the world market saw large numbers of coffee farmers struggling to survive. Many completely abandoned their farms, undermining families and entire communities. These conditions also led to dwindling supplies of high-quality green coffee, as farmers did not have the resources to reinvest in their farms. Working both directly with farms and cooperatives and working through non-profit partners in coffee regions, Green Mountain Coffee donated approximately $180,000 in fiscal year 2002 to social and environmental programs in Mexico, Guatemala, Indonesia and other coffee regions.

In fiscal 2002, Green Mountain began a long-term environmental project to assess its environmental impacts and determine opportunities for improvement. Green Mountain identified 36 major environmental impacts, the most significant of which are solid waste generation and emissions of greenhouse gases that lead to global warming. Green Mountain's employees, always the Company's main source of innovation and expertise, identified close to 150 improvements that could be made to the Company's environmental performance and, by the end of fiscal 2002, more than a dozen of these improvements had been implemented.

In 2003, the Company will be publishing its first Corporate Social Responsibility Report. Details of the Company's social and environmental programs will be available in that report.

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 2002, 2001, and 2000, approximately 95%, 96%, and 95%, respectively, of Green Mountain's sales were derived from its wholesale operations which services accounts located primarily in the eastern 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 locations. This strategy also has the advantage of limiting the dependency of the Company on a single distribution channel.

Notable accounts include:

Convenience Stores	**Restaurants**	**Supermarkets**
ExxonMobil convenience stores	Trapp Family Lodge	Fred Meyer - 131 stores
Mirabito Fuel Group dba Quickway®	The Culinary Institute of America ®	Hannaford Bros. Co.- 142 stores
RL Vallee, Inc. dba Maplefields	New England Culinary Institute	Kash n' Karry Food Stores, Inc. - 141 stores
TETCO®	The Harvard Club, NYC	Kings Super Markets - 27 stores
Uni-Marts™		Price Chopper - 105 stores
	Other Food Service	Roche Bros. - 14 stores
Office Coffee Services		
Allied Office Products	Amtrak® - Northeast corridor	Stop&Shop - 322 stores (primarily coffee by the cup)
ARAMARK Refreshment Services	American Skiing Company	Shaw's/Star Market - 152 stores
BostonbeaN® Coffee Company	Columbia University	Wild Oats Markets, Inc. - 73 stores

Corporate Coffee Systems	JetBlue Airways
Crystal Rock / Vermont Pure Springs	Sodexho
Dispenser Services Inc.	Stowe Mountain Resort
Nestlé Waters of North America	
U.S. Coffee	

Wholesale operations are coordinated from the Company's headquarters in Waterbury, Vermont, and supplemented by regional distribution centers in geographical locations where 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, primarily Federal Express, 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 merchandisers 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 27 area sales managers and 6 regional sales managers assigned to geographic territories, reporting to a national sales manager. The wholesale territories are concentrated in the northeastern and mid-atlantic states, as well as Florida, Illinois and Michigan. In addition to geographic sales personnel, the Company has a sales staff of 12 focused on supermarket accounts, a sales group of 11 individuals dedicated to office coffee service accounts, a national convenience stores sales manager, an international sales account manager and a national food service manager, to help provide more focused customer support and service.

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

Region	**52 wks. ended 9/28/02**	**52 wks. ended 9/29/01**	**Full Year Y/Y lb. Increase**	**Full Year % Y/Y lb. Increase**
Northern New England	29.5%	30.7%	149	4.0%
Southern New England	22.4%	23.9%	37	1.3%
Mid-Atlantic	24.4%	21.7%	558	21.2%
South Atlantic	7.9%	8.0%	72	7.4%
South Central	3.5%	3.4%	66	16.5%
Midwest	2.2%	2.3%	8	2.9%
West	2.6%	2.1%	86	34.1%
Multi-Regional	6.7%	6.9%	49	5.9%
International	0.8%	1.0%	(37)	-26.6%
Totals	**13,097**	**12,109**	**988**	**8.2%**

Note 1: Excludes coffee pounds shipped in the Consumer Direct channel.
Note 2: The allocation by region of coffee pounds shipped to certain McLane Company, Inc. warehouses for distribution to ExxonMobil convenience stores has been estimated. Since the second quarter of fiscal 2002, these estimates have been based on actual McLane's shipment patterns from each McLane warehouse to ExxonMobil convenience stores.

Consumer Direct Operations

Consumer direct represents Green Mountain Coffee at its best, helping to position the brand as a lifestyle brand. It offers the opportunity to inform consumers, build one-on-one relationships, and illuminate the Company's point of difference. The Company publishes catalogs and maintains a website to market over 75 coffees, and coffee-related equipment and accessories, as well as gift assortments and gourmet food items covering a wide range of price points. Green Mountain's Customer Care Representatives provide coffee consultations and education on the various attributes of the Company's coffee selections as they process a consumer's order.

Consumer direct sales accounted for approximately 5%, 4%, and 5% of total sales in fiscal 2002, 2001, and 2000, respectively. In fiscal 2002, approximately 34% of the Company's consumer direct revenue was derived from over 7,400 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 45% of consumer direct revenue, and another 2% were derived from the Company's Corporate Gifting program.

The Green Mountain website (www.GreenMountainCoffee.com) generated 19% of total consumer direct revenue in fiscal 2002. The Company's website, 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. Outside brokers provide the largest supply of green coffee to the Company. 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. In recent years, green coffee prices have been under considerable downward pressures due to oversupply, and this situation is likely to persist in the short-term although it is likely that we will experience somewhat higher prices than the record lows set earlier in 2002. The low coffee price ranges generally experienced in recent years are not considered high enough to support proper farming and processing practices, impacting the overall supply of 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.

For coffees that Green Mountain continues to purchase with differentials against the commodity market, 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. Approximately 59% of the Company's estimated coffee requirements through September 27, 2003, the end of its 2003 fiscal year, had been contracted for as of September 28, 2002. Some of the fixed coffee purchase commitments entered into in fiscal 2002 extend through calendar 2005, as the Company made a decision to enter into long-term contracts with specific coffee sources to ensure a consistent supply of high quality coffee. 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 30 different types of green coffee beans to produce its more than 100 coffee selections. 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 34% of its coffee from specifically identified farms, estates, cooperatives and cooperative groups in fiscal 2002, and close to 25% of its total coffee purchases in fiscal 2001. The Company expects to increase this amount to as much as 40% in fiscal 2003. The Company believes its "farm identified" 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.

Competition

The specialty coffee market is highly competitive, and Green Mountain competes against all sellers of specialty coffee. In the office coffee, convenience store and food service arenas, Sara Lee, Procter & Gamble and New England Coffee are competitors. Green Mountain Coffee was the first roaster to sell its coffee in Keurig's innovative one-cup brewing system, used primarily in the office coffee service market, and the Company has established a dominant position in the sale of one-cup Keurig portions. The Company does, however, now compete for Keurig sales with four other North American roasters: Diedrich Coffee, Procter & Gamble's Millstone®, Timothy's, and Van Houtte, a vertically integrated roaster and office coffee service distributor operating in Canada and the United States.

In the supermarket channel, Starbucks, a leading independent specialty coffee retailer, has a significant presence nationwide. Starbucks has a distribution agreement with Kraft Foods to place Starbucks coffee in supermarkets along with Kraft's 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's coffee.

In the consumer direct channel, 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 consumer direct operations and its cup/whole bean strategy, the Company believes it differentiates itself from many of its larger competitors, who specialize in one primary channel 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, multi-product 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.

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®, Green Mountain Filters®, Green Mountain Coffee Roasters®, Nantucket Blend®, Rain Forest Nut®, Stewardship®, Green Mountain Coffee Roasters and Design ®, Stewardship Coffee and Design®, Vermont Country Blend®, Café Vermont®, Mocha Almond Chiller®, You're Following the Leader®, Tapestry Blend Dark®, Appropriate Roast®, Autumn Harvest Blend®, Fresh From the Roaster®, Lake & Lodge®, La Esperanza®, Monté Verdé®, and It's a Jungle Out There - Let's keep it that way®. The Company anticipates maintaining the United States registrations appearing above with the United States Patent and Trademark Office. The Company is also the owner of other trademarks and service marks, including The Taste of a Better World ™ , Great Coffee Made Easy ™ , Sip and Relax, You're on Green Mountain Time ™ , PartnerFarm ™ , Black Parrot ™, Organic Black Parrot Blend ™ , Quick-Cup ™ , Dark Magic ™, and The Ultimate Office Coffee ™ .

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 and in the European Union. In Canada, the Company has registered the mark "Green Mountain Coffee" and has a pending application for registration of the mark "Green Mountain Coffee Roasters." The Company has a pending Taiwanese application for registration of the mark "Green Mountain Coffee Roasters," pending Brazilian applications for registration of the marks "Green Mountain Coffee Roasters and Design," and "Green Mountain Coffee," and pending applications in South Korea for various marks including "Green Mountain Coffee Roasters," as well as the South Korean registration for the mark "Green Mountain." Other foreign trademark applications are also pending.

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. In connection with the sale and distribution of coffee and Keurig brewing system, the Company has a limited, non-exclusive license to use the mark "Keurig®" and other marks owned by Keurig, Incorporated, subject to the terms of the agreement under which the license is granted. The Company has a limited, royalty-free license to reproduce a painting by artist Corliss Blakely on its labels and marketing materials. The Company believes these trademarks, service marks and licenses will continue to be important to its success. The Company does not hold any patents.

Employees

As of September 28, 2002, the Company had 474 full-time employees and 55 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 excellent relations with its employees.

Item 2. Propert ies

The Company leases one principal manufacturing, warehousing and distribution facility located at Pilgrim Park in Waterbury, Vermont. The facility has in total approximately 96,000 square feet of usable space which includes a 36,000 square foot mezzanine area. The lease on this building expires in 2012. The Company's other facilities, all of which are leased, are as follows:

Type	Location	Approximate Square Feet	Expiration of Lease
Warehouse/ Distribution/ Service Space	Woburn, MA	10,580	2006
	Southington, CT	11,200	2006
	Demeritt Place, 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	2011
	Latham, NY	7,500	2007
	Lakeland, FL	7,200	2006
Administrative Offices	Coffee Lane, Waterbury, VT	4,000	month-to-month
	Demeritt Place, Waterbury, VT	10,000	2003
	Main Street, Waterbury, VT	8,680	2003
	Pilgrim Park II, Waterbury, VT	3,000	month-to-month
	Pilgrim Park II, Waterbury, VT	8,000	2003

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 2003.

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 28, 2002.

Executive Officers of the Registrant

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

Name	Age	Position	Officer since
Kathryn S. Brooks	47	Vice President and Director	2001
Paul Comey	52	Vice President	1993
William G. Hogan	43	Vice President, Chief Financial Officer and Director	2002
Daniel R. Martin	37	Vice President	2002
James K. Prevo	49	Vice President	1997
Stephen J. Sabol	41	Vice President	1993
Robert P. Stiller	59	Chairman of the Board, President and Chief Executive Officer	1993
Jonathan C. Wettstein	54	Vice President	1993

Kathryn S. Brooks has served as Vice President of Human Resources and Organization Development since April 2001. From April 1998 to April 2001, Ms. Brooks was Senior Vice President of Human Resources at Webster Bank, a financial services company. From May 1997 to April 1998, Ms. Brooks was President of Human Resources Professional Services, a management consulting company. From May 1992 to May

1997, Ms. Brooks served as Vice President of Human Resources at Bombardier Capital.

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.

William G. Hogan has served as Vice President and Chief Financial Officer of Roasters since February 2002. From February 2001 to October 2001, Mr. Hogan was Vice President of Finance at a General Electric subsidiary, General Electric Quartz, Inc. From March 2000 to February 2001, Mr. Hogan was Manager of Finance - Global Services for General Electric Medical Systems. From September 1997 to February 2000, Mr. Hogan was Manager of Manufacturing, Logistics & Six Sigma Finance for General Electric Appliances. From February 1994 to January 1996, Mr. Hogan was Manager of Business Operations and Systems with Mortgage Credit Service. Prior to that, Mr. Hogan held numerous other operational, managerial and finance related positions with other General Electric subsidiaries, and small public and private corporations.

Daniel R. Martin joined as Vice President of Sales and Marketing on December 16, 2002. From September 2002 to December 2002, Mr. Martin was Vice President, Marketing Services at the Great Atlantic & Pacific Tea Company (A&P). Prior to this position, Mr. Martin was the General Manager for A&P's Eight O'Clock Coffee Company division from February 2001 until August 2002. Prior to his years at A&P, Mr. Martin worked at Kraft Foods from July 1988 to February 2001, where he held roles of increasing responsibility in sales and brand management, including positions in the Maxwell House and Gevalia coffee divisions. Mr. Martin holds a Master of Business Administration from the Harvard Business School.

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 Development of Roasters since October 2001. Mr. Sabol was Vice President of Sales of Roasters from September 1996 to September 2001. Prior to that, 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.

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.

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.

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 2001	16 weeks ended January 20, 2001	$ 29.469	$ 9.375
	12 weeks ended April 14, 2001	$ 27.313	$ 14.500
	12 weeks ended July 7, 2001	$ 36.170	$ 18.800
	12 weeks ended September 29, 2001	$ 42.000	$ 22.180
Fiscal 2002	16 weeks ended January 19, 2002	$ 29.250	$ 19.850
	12 weeks ended April 13, 2002	$ 26.250	$ 17.900
	12 weeks ended July 6, 2002	$ 25.740	$ 20.080
	12 weeks ended September 28, 2002	$ 23.340	$ 13.010
Fiscal 2003	September 29, 2002 to December 5, 2002	$ 16.000	$ 12.030

(b) Number of Equity Security Holders

As of December 5, 2002, the number of record holders of the Company's common stock was 644.

(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 was December 28, 2000, and the payment date was January 11, 2001. The stock split was intended to benefit stockholders by placing more shares in the market, thus helping to increase trading activity and further improve the stock's liquidity. All share amounts and share prices presented in this report on Form 10-K reflect this two-for-one stock split.

On October 22, 2002, Green Mountain's Board of Directors approved a stock repurchase program authorizing the repurchase up to an aggregate of $3,000,000 of the Company's common stock. The repurchases are made from time to time on the open market at prevailing prices, in negotiated transactions off the market. As of December 16, 2002, the Company had repurchased 4,800 shares for an aggregate repurchase price of approximately $71,000.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,136,323	$10.15	431,375
Equity compensation plans not approved by security holders	-	-	-
Total	1,136,323	$10.15	431,375

Item 6. Selected Financial Data

	Fiscal Years Ended				
	Sept. 28, 2002	Sept. 29, 2001	Sept. 30, 2000 (1)	Sept. 25, 1999	Sept. 26, 1998
	(In thousands, except per share data)				
Coffee pounds shipped (2)	13,504	12,408	10,871	9,004	7,739
Net sales from continuing operations (2)	$ 100,000	$ 95,576	$ 84,001	$ 64,881	$ 55,825
Income before equity in net earnings of Keurig, Incorporated	$ 6,232	$ 5,782	$ 4,153	$ 2,247	$ 340
Income from continuing operations (2)	$ 5,970	$ 5,782	$ 4,153	$ 2,247	$ 340
Income per share from continuing operations - diluted (2)	$ 0.82	$ 0.80	$ 0.59	$ 0.32	$0.05
Total assets	$ 54,687	$ 34,496	$ 27,244	$ 23,878	$ 24,563
Long-term obligations	$ 15,209	$ 6,256	$ 8,783	$ 4,964	$ 10,191
EBITDA (3)	$ 14,731	$ 13,833	$ 9,783	$ 7,302	$ 4,113

1 The fiscal year ended September 30, 2000 was 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.

3 Earnings from continuing operations before the impact of net earnings of Keurig, Incorporated, interest, taxes, depreciation and amortization.

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, fluctuations in availability and cost of high-quality green coffee, competition, organizational changes, the impact of a weaker economy, business conditions in the coffee industry and food industry in general, the impact of the loss of one or more major customers, delays in the timing of adding new locations with existing customers, Green Mountain's level of success in continuing to attract new customers, variances from budgeted sales mix and growth rate, and weather and special or unusual events, as well as other risks described in this report and other factors described from time to time in the Company's filings with the Securities and Exchange Commission. In addition, the Company has an equity investment in Keurig, Incorporated, a small high-growth private company. Keurig, Incorporated can have significant quarterly operating income fluctuations and its results can differ materially from expectations set in forward-looking statements. Further, there is a high degree of uncertainty around investment spending for the launch of the Keurig Single-Cup Brewer for the home and results could materially vary depending on Keurig, Incorporated's success in entering the home brewer market. 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., is a leader in the specialty coffee industry. The Company roasts high-quality arabica coffees and offers over 90 coffee selections, including single-origins, estates, certified organics, Fair Trade, proprietary blends, and flavored coffees that it sells under the Green Mountain Coffee Roasters ® and Newman's Own® Organics brands. Green Mountain sells its coffees to retailers including supermarkets, convenience stores, and specialty food stores; food service enterprises including restaurants, hotels, universities and business offices; and directly to individual consumers.

Cost of sales consists of the cost of raw materials including coffee beans, flavorings and packaging materials, a portion of the Company's rental expense, the salaries and related expenses of production and distribution personnel, depreciation on production equipment, and freight and delivery expenses. Selling and operating expenses consist of expenses that directly support the sales of the Company's wholesale or consumer direct 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 2002 and fiscal 2001 represent the 52 week-periods ended September 28, 2002, and September 29, 2001, respectively. 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.

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. In recent years, green coffee prices have been under considerable downward pressures due to oversupply, and this situation is likely to persist in the short term. 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 recent years, while the "C" price has been at or near historic lows, differentials have generally been on the rise.

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 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 30 different types of green coffee beans to produce its more than 100 coffee selections, 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 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		
	Sept. 28, 2002	Sept. 29, 2001	Sept. 30, 2000
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	56.8 %	57.8 %	60.5 %
Gross profit	43.2 %	42.2 %	39.5 %
Selling and operating expenses	25.0 %	24.3 %	24.3 %
General and administrative expenses	7.5 %	7.3 %	7.0 %
Loss on abandonment of equipment	-	-	0.2 %
Operating income	10.7 %	10.6 %	8.0 %
Other income	0.0 %	0.0 %	0.1 %
Interest expense	(0.3)%	(0.5)%	(0.7)%
Income before income taxes	10.4 %	10.1 %	7.4 %
Income tax expense	(4.1)%	(4.0)%	(2.5)%
Income before equity in net earnings of Keurig, Incorporated	6.3 %	6.1 %	4.9 %
Equity in net earnings of Keurig, Incorporated	(0.3)%	-	-
Income from continuing operations	6.0 %	6.1 %	4.9 %
Discontinued operations:			
Income on disposal, net of tax benefits	-	0.1 %	0.1 %
Net income	6.0 %	6.2 %	5.0 %
	===	===	===

Fiscal 2002 versus Fiscal 2001

Net sales increased by $4,424,000, or 4.6%, from $95,576,000 in fiscal 2001 to $100,000,000 in fiscal 2002. Coffee pounds shipped increased by approximately 1,096,000 pounds, or 8.8%, from 12,408,000 pounds in fiscal 2001 to 13,504,000 pounds in fiscal 2002. The difference between coffee pounds growth and dollar sales growth was due primarily to sales mix (including the successful expansion of the Company's business with ExxonMobil convenience stores, which carry lower sales prices but also lower costs) and increased sales rebates to newly acquired and existing customers. Coffee pounds shipped growth came primarily from the supermarket channel (+603,000 lbs.) and the convenience store channel (+400,000 lbs.). The office coffee service channel, a major growth driver in prior years, grew by only 24,000 lbs. in fiscal 2002, due to the weaker economy and reduced sales to two major office coffee distributors. Though the consumer direct channel is small, it contributed a healthy pounds growth of 108,000 lbs. in fiscal 2002.

Due primarily to recent customer acquisitions and, to a lesser extent, a recently announced small sales price increase, management anticipates higher growth rates in fiscal 2003. For the first quarter of fiscal 2003, year-over-year growth in pounds shipped and dollar sales is expected to be in the range of 9% to 13%. For fiscal year 2003 as a whole, management anticipates growth in coffee pounds shipped and dollar sales in the range of 10% to 15%.

Green Mountain's gross profit increased by $2,844,000, or 7.0%, from $40,371,000 in fiscal 2001 to $43,215,000 in fiscal 2002. Gross profit as a percentage of net sales increased 1.0 percentage point from 42.2% in fiscal 2001 to 43.2% in fiscal 2002. The gross profit increase was primarily due to favorable channel mix change, with the supermarket and convenience store channels growing faster than average. Coffee costs were relatively flat for the whole year but trending up during the latter half. In the first quarter of fiscal 2003, gross margin is expected to be in the range of 44% to 45% as a percentage of sales. For fiscal 2003 as a whole, gross profit is anticipated to be in the range of 43% to 44%.

Selling and operating expenses increased by $1,767,000, or 7.6%, from $23,278,000 in fiscal 2001 to $25,045,000 in fiscal 2002, and increased 0.7 percentage points as a percentage of net sales from 24.3% in fiscal 2001 to 25.0% in fiscal 2002. The increase in selling and operating expenses was primarily due to increases in sales and sales support compensation expense (+$1,659,000) and increases in travel and entertainment expenses (+$420,000), offset by a decrease in bad debt expense of $590,000.

General and administrative expenses increased by $518,000, or 7.4%, from $6,972,000 in fiscal 2001 to $7,490,000 in fiscal 2002. As a percentage of net sales, this change represents a 0.2 percentage point increase from 7.3% in fiscal 2001 to 7.5% in fiscal 2002. The increase is primarily due to higher compensation (+$610,000) and travel expenses (+$297,000), and was offset by a decrease in consulting expenses (-$297,000).

As a result of the foregoing and including a reduction in incentive compensation for non-sales staff and ESOP expenses of approximately $721,000, operating income increased by $559,000, or 5.5%, from $10,121,000 in fiscal 2001 to $10,680,000 in fiscal 2002. As a percentage of sales, operating income increased 0.1 percentage point from 10.6% in fiscal 2001 to 10.7% in fiscal 2002. It is anticipated that, in fiscal 2003, operating expenses as a percentage of sales will remain flat or increase very slightly to 33% to 34% of sales.

Interest expense decreased $253,000, or 47.5%, from $533,000 in fiscal 2001 to $280,000 in fiscal 2002 due to successive reductions in interest rates throughout the year. The average effective interest rate was 3.5% in fiscal 2002. During fiscal 2002, $135,000 of interest expense was capitalized as part of the Waterbury plant capacity expansion project.

Income tax expense from continuing operations increased $293,000, or 7.6%, from $3,845,000 in fiscal 2001 to $4,138,000 in fiscal 2002. The Company's effective tax rate remained flat in 2002, at 39.9% of income before taxes. The Company recorded reductions totaling $170,000 in the deferred tax asset valuation allowance on its manufacturer's investment tax credit from the State of Vermont during fiscal 2002. These reductions were 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 41%. However, there is uncertainty around the amount of the Vermont manufacturer's tax credit that will ultimately be realized (see footnote 5). Use of the credit is dependent on many factors, including how much taxable income the Company generates, how much of that income is allocable to Vermont, and how many shares issued from the exercise of stock options are sold within one year from the date of the exercise.

The Company adopted the equity method of accounting for its investment in Keurig, Incorporated ("Keurig") in the third quarter of fiscal 2002 period as its Common Stock ownership percentage grew from under 10% to 49.93% during that quarter. The Company's percentage ownership of the total common stock equivalent shares of Keurig was 41.9% at September 28, 2002. Keurig is effectively controlled by MD Co. (controlled by MDT Advisors, Inc., an institutional investment company) which owns approximately 23% of Keurig's capital stock, as a result of contractual limitations and restrictions agreed to by the Company. MD Co. has the ability to elect a majority of Keurig's Board of Directors, cause certain types of amendments to Keurig's Certificate of Incorporation, and approve or reject a sale of Keurig's business.

The equity in the net earnings of Keurig in fiscal 2002 was a loss of $262,000, net of tax. The Company currently expects the negative impact of Keurig earnings to range from $750,000 to $1,100,000 for fiscal 2003. Results from Keurig could be materially different from this estimate. Keurig is a small high-growth private company which can have significant quarterly operating income fluctuations. Further, there will be a high degree of uncertainty around investment and product development spending given Keurig's strategic launch of the Keurig Single-Cup Brewer for the home.

For the reasons outlined above, income from continuing operations increased $188,000, or 3.3%, from $5,782,000 in fiscal 2001 to $5,970,000 in fiscal 2002.

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 2001 and fiscal 2000, the Company reduced its estimate by another $199,000 ($118,000 net of tax) and $100,000 ($60,000 net of tax), respectively, due to lower than expected lease termination costs. The Company does not anticipate incurring any material additional costs related to the disposal of the company-owned retail stores.

Net income increased $70,000, or 1.2%, from $5,900,000 in fiscal 2001 to $5,970,000 in fiscal 2002.

Fiscal 2001 versus Fiscal 2000

Net sales from continuing operations increased by $11,575,000, or 13.8%, from $84,001,000 in fiscal 2000 to $95,576,000 in fiscal 2001. Coffee pounds shipped increased by approximately 1,535,000 pounds, or 14.1%, from 10,873,000 pounds in fiscal 2000 to 12,408,000 pounds in fiscal 2001. It is estimated that without the extra week in the 2000 fiscal year, the year-over-year increases in sales dollars and coffee pounds shipped would have been 16.0% and 16.4%, respectively. The difference between coffee pounds growth and dollar sales growth was due primarily to the successful expansion of the Company's business with ExxonMobil convenience stores, which under a new agreement involves lower sales prices but also lower costs. Coffee pounds shipped growth came primarily from the convenience store channel (+692,000 lbs), office coffee channel (+440,000 lbs), and the supermarket channel (+268,000 lbs).

Green Mountain's gross profit from continuing operations increased by $7,205,000, or 21.7%, from $33,166,000 in fiscal 2000 to $40,371,000 in fiscal 2001. Gross profit as a percentage of net sales increased 2.7 percentage points from 39.5% in fiscal 2000 to 42.2% in fiscal 2001. The gross profit increase was primarily due to lower green coffee costs and was partially offset by increased sales of products with lower gross margins, such as the single-cup Keurig line of coffees.

Selling and operating expenses from continuing operations increased by $2,901,000, or 14.2%, from $20,377,000 in fiscal 2000 to $23,278,000 in fiscal 2001, and remained unchanged at 24.3% of net sales. The dollar increase was primarily a function of supporting the Company's increased revenues. Specifically, the increase in selling and operating was due to increased sales, sales support and marketing personnel expenditures ($1,259,000), as well as an increase in bad debt expense ($469,000).

General and administrative expenses from continuing operations increased by $1,085,000, or 18.4%, from $5,887,000 in fiscal 2000 to $6,972,000 in fiscal 2001. As a percentage of net sales, this change represents a 0.3 percentage point increase from 7.0% in fiscal 2000 to 7.3% in fiscal 2001. The increase is primarily due to higher compensation and benefits expenses, travel, recruiting and relocation costs.

For the reasons outlined above, operating income increased by $3,354,000, or 49.6%, from $6,767,000 in fiscal 2000 to $10,121,000 in fiscal 2001. As a percentage of sales, operating income increased 2.6 percentage points from 8.0% in fiscal 2000 to 10.6% in fiscal 2001.

Interest expense from continuing operations decreased $50,000, or 8.6%, from $583,000 in fiscal 2000 to $533,000 in fiscal 2001 due to successive reductions in interest rates throughout the year.

Income tax expense from continuing operations increased $1,766,000, or 84.9%, from $2,079,000 in fiscal 2000 to $3,845,000 in fiscal 2001. The increase in the Company's effective tax rate, from 33% for fiscal 2000 to 40% for fiscal 2001, is due to a reduction during the fourth quarter of fiscal 2000 of the deferred tax asset valuation allowance previously recorded on the 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.

For the reasons outlined above, income from continuing operations increased $1,629,000, or 39.2%, from $4,153,000 in fiscal 2000 to $5,782,000 in fiscal 2001.

After the income from discontinued operations referenced above, net income increased $1,687,000, or 40.0%, from $4,213,000 in fiscal 2000 to $5,900,000 in fiscal 2001.

Liquidity and Capital Resources

Working capital decreased $2,640,000 to $5,905,000 at September 28, 2002, from $8,545,000 at September 29, 2001. This decrease is primarily due to an increase in short-term debt, and was offset by decreases in accrued expenses. Although sales grew 4.6% in fiscal 2002, accounts receivable and inventory levels remained unchanged year-over-year.

Net cash provided by operating activities increased by $139,000, or 1.2%, from $11,738,000 in fiscal 2001 to $11,877,000 in fiscal 2002. Cash flows from operations were used to fund capital expenditures in fiscal 2002.

In fiscal 2002, the Company purchased 628,450 shares of Preferred Stock and 1,642,854 shares of Common Stock of Keurig, Incorporated ("Keurig") from third parties for approximately $14,602,000. In order to finance the Keurig investment, the Company extended its existing $15,000,000 line of credit with Fleet National Bank (Fleet) by one year to March 31, 2004 and entered into a $5,000,000 term loan agreement with Fleet during its second quarter of fiscal 2002.

As of August 30, 2002, the Company and its parent, Green Mountain Coffee, Inc., entered into a new syndicated credit facility with Fleet as agent, and Fleet and Banknorth N.A. as participating lenders. The new credit facility includes a $15 million five-year term loan that was used to repay the Company's term loan and to pay down most of the Company's existing credit line. The new credit facility also includes an equipment line of credit of up to $5 million and a revolving line of credit of up to $12.5 million, which is subject to a borrowing base formula, and matures on March 31, 2005. The credit facility is secured by all of the Company's assets, including a pledge of the capital stock of Keurig, Incorporated owned by the Company.

The interest paid on the credit facility varies with prime, LIBOR and Banker's Acceptance rates, plus a margin based on a performance price structure. The Company also has entered into a $5 million amortizing interest swap agreement effective January 1, 2003, in order to fix the interest rate on a portion of the term loan. The interest rate on this swap agreement is 3.495% plus a margin based on performance. The $15 million term loan is to be paid back in quarterly installments of $750,000, beginning on September 30, 2002, and ending on June 30, 2007. At September 28, 2002, the outstanding balance on the Fleet line of credit was $3,130,000 and, based upon the revolving line of credit's borrowing base formula, the remaining amount available was $10,741,000 (including the $5,000,000 specific equipment line). The Fleet credit facility is subject to certain quarterly covenants, and the Company was in compliance with these covenants at September 28, 2002.

In fiscal 2002, Green Mountain had capital expenditures of $11,042,000, comprised of $7,580,000 for production and distribution equipment, $1,532,000 for equipment on loan to wholesale customers, $517,000 in leasehold improvements, $1,045,000 for computer equipment and software, and $368,000 for furniture and fixtures.

The production equipment expenditure included the purchase of five K-Cup packaging lines and related maintenance parts from Keurig, Incorporated, for $2,613,000. Since the beginning of the fourth quarter of fiscal 2002, the Company pays a reduced royalty rate to Keurig on the sale of each Green Mountain Coffee K-Cup as a result of this equipment purchase.

The fiscal 2002 production equipment expenditures also included installation costs amounting to $1,460,000 for two roasters purchased at auction in fiscal 2001. Once the installation of these two new roasters is completed, the Company's annual roasting capacity in Waterbury, Vermont, is expected to increase from approximately 15 million pounds to 40 to 50 million pounds of roasted coffee. The installation of the first roaster and related equipment was completed in September 2002. The second roaster is expected to be ready for use in the third quarter of fiscal 2003. The related equipment consists primarily of a green coffee inventory storage system and a new green coffee transport system.

On June 5, 2001, the Company acquired the assets related to the coffee business of Frontier Natural Products Co-op of Norway, Iowa, in a cash transaction totaling approximately $2,474,000, including transaction costs estimated at $34,000. The allocation of the purchase price of $2,440,000 was as follows: $601,000 of inventory, $271,000 of fixed assets, $125,000 of intangible assets and $1,443,000 of goodwill. Cash used to fund this acquisition was obtained from the Company's then existing line of credit with Fleet.

In fiscal 2001, besides the acquisition of Frontier's assets, Green Mountain had capital expenditures of $6,666,000, including $2,938,000 for production and distribution equipment (including the purchase at auction and transportation costs of the two roasters referenced above amounting to approximately $1,257,000), $1,875,000 for equipment on loan to wholesale customers, $725,000 in leasehold improvements and $709,000 for computer equipment and software.

The Company currently plans to make capital expenditures in fiscal 2003 in the range of $6,000,000 to $7,000,000. Approximately $3.5 million will be invested in its Waterbury, Vermont, roasting facility to complete different projects including the installation of the second of two roasters purchased in fiscal 2001 and the related new roasted bean storage bin system, as well as the addition of three new packagers. However, management continuously reviews capital expenditure needs, and actual amounts expended may differ from these estimates. Depreciation expense is expected to be in the range of $4.8 million to $4.9 million in fiscal 2003.

The Company announced in October 2002 that its Board had authorized the repurchase of up to $3 Million of its outstanding common stock over the following three months. Assuming no stock repurchases, the Company intends to pay down its debt by $4.0 to $5.0 million in fiscal 2003. Earnings before the impact of Keurig, interest, taxes, depreciation and amortization should increase to $17.0 to $18.0 million in fiscal 2003, up from $14.7 million in fiscal 2002.

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

However, a decrease in operating cash flows, due to a decline in earnings or other factors, may impact the Company's ability to self-fund capital expenditures and other investments, or service debt requirements, and may require the Company to seek additional borrowings or undertake an equity offering as sources of funding.

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

Fiscal Year	Long-Term Debt	Operating Lease Commitments	Green Coffee Purchase Commitments	Total
2003	$ 3,193,000	$ 1,429,000	$ 10,641,000	$15,263,000
2004	3,079,000	1,051,000	3,273,000	7,403,000
2005	6,130,000	975,000	1,133,000	8,238,000
2006	3,000,000	814,000	-	3,814,000
2007	3,000,000	626,000	-	3,626,000
Thereafter	-	2,258,000	-	2,258,000
Total	**$ 18,402,000**	**$ 7,153,000**	**$ 15,047,000**	**$40,602,000**

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.

Critical Accounting Policies

Green Mountain prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (see Note 2 to the Company's Consolidated Financial Statements). Actual results could differ from those estimates.

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

Provision for Doubtful Accounts

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

Deferred Tax Valuation Allowance

Periodically, management reviews the adequacy of its deferred tax valuation allowance that is primarily related to a Vermont manufacturer's investment tax credit. This review entails estimating: the Company's future taxable income through fiscal 2004; how much of that taxable income will be allocable to Vermont; and, the levels of disqualifying dispositions of stock options, among other factors. A reduction in the valuation allowance can result in the Company reporting its income tax expense at a lower effective Federal and State tax rate. Conversely, an increase in the valuation allowance can result in the Company reporting its income tax at a higher rate. Since future results may differ materially from those estimated by the Company, the Company's estimate of the amount of deferred tax assets that will be ultimately realized could differ materially.

Impairment of Long-Lived Assets

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

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 28, 2002, the Company had $18,130,000 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 $181,000.

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 28, 2002, the Company had approximately $15.0 million in purchase commitments, of which approximately 88% had a fixed price. Approximately 59% of the Company's estimated coffee requirements through September 27, 2003, the end of its 2003 fiscal year, had been contracted for as of September 28, 2002. Some of the fixed coffee purchase commitments entered into in fiscal 2002 extend through calendar 2005, as the Company made a decision to enter into long-term contracts with specific coffee sources to ensure a consistent supply of high quality coffee.

In addition, the Company regularly 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. These hedges generally qualify as cash flow hedges. Gains and losses are deferred in other comprehensive income until the hedged inventory sale is recognized in earnings, at which point they are added to cost of sales. At September 28, 2002, the Company held outstanding coffee futures contracts with a fair value of ($14,000). The corresponding deferred losses of ($14,000), or ($8,000) net of tax, were classified as other comprehensive income. At September 28, 2002, the average settlement price used to calculate the fair value of the contracts outstanding was $0.59. If the settlement price drops on average by 10%, the additional loss incurred will be approximately $64,000 gross of tax. However, this loss, if realized, would be offset by lower costs of coffee purchased during fiscal 2003.

Item 8. Financial Statements and Supplementary Data

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

In accordance with rule 3-09, the Company will file audited financial statements of its equity method investee Keurig, Incorporated for the calendar year ending December 31, 2002, which meets the significant subsidiary tests, within 90 days of the equity investee's year end.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except for the information regarding the Company's executive officers, the information called for by this Item is incorporated by reference in this report to the Company's definitive Proxy Statement for the Company's Annual Meeting of Stockholders to be held on March 20, 2003, which will be filed not later than 120 days after the close of the Company's fiscal year ended September 28, 2002 (the "Definitive Proxy Statement").

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

Item 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

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

Item 13. Certain Relationships and Related Transactions

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

Item 14. Controls and Procedures

Within 90 days of the filing of this report, the Company's Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 and 15d-14. Based on that evaluation, Green Mountain's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to make known to them in a timely fashion material information related to the Company required to be filed in this report. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

While management believes the present design of disclosure controls and procedures is effective to make known to the Company's senior management in a timely fashion all material information concerning its business, management will continue to improve the design and effectiveness of disclosure controls and procedures at Green Mountain to the extent necessary in the future to provide senior management with timely access to such material information, and to correct any deficiencies that may be discovered in the future.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Exhibit No.	Exhibit Title
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 in the Quarterly Report on Form 10-Q for the 12 weeks ended April 13, 2002).
3.2	Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 in the Quarterly Report on Form 10-Q for the 12 weeks ended April 13, 2002).
4.1	Amended and Restated Credit Agreement, dated as of August 30, 2002, by and among the Company, as guarantor, Green Mountain Coffee Roasters, Inc. ("GMCR") and Green Mountain Coffee Roasters Franchising Corporation ("GMCRF"), as borrowers, Fleet National Bank, as agent ("Fleet"), and Fleet National Bank and Banknorth, N.A. ("Banknorth"), as lenders (collectively, the "Lenders").
	(a) Revolving Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(a) in the Current Report on Form 8-K dated August 30, 2002).
	(b) Revolving Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(b) in the Current Report on Form 8-K dated August 30, 2002).
	(c) Term Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(c) in the Current Report on Form 8-K dated August 30, 2002).
	(d) Term Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(d) in the Current Report on Form 8-K dated August 30, 2002).
	(e) Equipment Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(e) in the Current Report on Form 8-K dated August 30, 2002).
	(f) Equipment Note dated August 30, 2002, by GMCR and GMCRF in favor of Banknorth (incorporated by reference to Exhibit 4.1(f) in the Current Report on Form 8-K dated August 30, 2002).
	(g) Swing Line Note dated August 30, 2002, by GMCR and GMCRF in favor of Fleet (incorporated by reference to Exhibit 4.1(g) in the Current Report on Form 8-K dated August 30, 2002).
	(h) Security Agreement dated as of August 30, 2002, by and between GMCR and Fleet, as agent for the benefit of the Lenders (incorporated by reference to

Exhibit 4.1(h) in the Current Report on Form 8-K dated August 30, 2002).

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

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

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

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

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

10.1 U.S. Small Business Administration ("SBA") Authorization and Debenture Guaranty relating to $766,000 loan to Green Mountain Coffee, Inc. together with Letters dated July 14, 1993 and July 19, 1993 from SBA to Central Vermont Economic Development Corporation relating thereto (incorporated by reference to Exhibit 10.22 in the Registration Statement on Form SB-2 (Registration No. 33-66646) filed on July 28, 1993 and declared effective on September 21, 1993).

(a) Small Business Administration Guaranty dated September 30, 1993, from Robert P. Stiller to Central Vermont Economic Development Corporation (incorporated by reference to Exhibit 10.22(a) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(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 (incorporated by reference to Exhibit 10.22(b) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(c) Mortgage, dated September 30, 1993, between Green Mountain Coffee Roasters, Inc., and Central Vermont Economic Development Corporation (incorporated by reference to Exhibit 10.22(c) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(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 (incorporated by reference to Exhibit 10.22(d) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(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. (incorporated by reference to Exhibit 10.22(e) in the Quarterly Report on Form 10-QSB for the 16 weeks ended January 15, 1994, filed on February 25, 1994).

(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 (incorporated by reference to Exhibit 10.22(f) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(g) Security Agreement from Green Mountain Coffee Roasters, Inc., to Central Vermont Economic Development Corporation (incorporated by reference to Exhibit 10.22(g) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(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 (incorporated by reference to Exhibit 10.22(h) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(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., (incorporated by reference to Exhibit 10.22(i) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

(j) Development Company 504 Debenture, issued October 14, 1993, for principal amount of $766,000, by Central Vermont Economic Development Corporation to Harris Trust of New York, as Trustee (incorporated by reference to Exhibit 10.22(j) in the Annual Report on Form 10-KSB for the fiscal year ended September 25, 1993, filed on December 23, 1993).

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

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

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

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

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

10.3 1993 Stock Option Plan of the Company, as revised (incorporated by reference to Exhibit 10.36 in the Annual Report on Form 10-K for the fiscal year ended September 27, 1997).*

(a) Form of Stock Option Agreement.*

10.4 1998 Employee Stock Purchase Plan with Form of Participation Agreement (incorporated by reference to Exhibit 10.37 in the Annual Report on Form 10-K for the fiscal year ended September 26, 1998.)*

10.5 1999 Stock Option Plan of the Company (incorporated by reference to Exhibit 10.38 in the Quarterly Report on Form 10-Q for the 16 weeks ended January 18, 1999).*

(a) Form of Stock Option Agreement.*

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

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

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

10.9 2000 Stock Option Plan of the Company (incorporated by reference to Exhibit 10.105 in the Annual Report on Form 10-K for the fiscal year ended September 30, 2000).*

(a) Form of Stock Option Agreement*

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

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

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

10.13 Asset Purchase Agreement between Green Mountain Coffee, Inc., and Frontier Cooperative Herbs dated June 5, 2001 (incorporated by reference to Exhibit 10.119 in the Quarterly Report on Form 10-Q for the 12 weeks ended July 7, 2001).

10.14 Promissory note from Kevin G. McBride, dated January 5, 2001, (incorporated by reference to Exhibit 10.16 in the Annual Report on Form 10-K for the fiscal year ended September 29, 2001).

10.15 Employment agreement of Robert D. Britt dated September 13, 2001, (incorporated by reference to Exhibit 10.17 in the Annual Report on Form 10-K for the fiscal year ended September 29, 2001).* Superceded by Employment Agreement of Robert D. Britt dated as of November 11, 2002 filed as Exhibit 10.24 .

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

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

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

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

10.20 Fourteenth Amendment of Commercial Loan Agreement and Loan Documents dated April 3, 2002 between the Green Mountain Coffee Roasters, Inc., and Fleet National Bank (incorporated by reference to Exhibit 10.5 in the Current Report on Form 8-K dated April 5, 2002).**

10.21 $5,000,000 Term Promissory Note dated April 3, 2002 issued by Green Mountain Coffee Roasters, Inc., in favor of Fleet National Bank (incorporated by reference to Exhibit 10.1 in the Current Report on Form 8-K dated April 5, 2002).**

10.22 Stock Pledge and Security Agreement dated April 3, 2002 executed by Green Mountain Coffee Roasters, Inc., in favor of Fleet National Bank (incorporated by reference to Exhibit 10.1 in the Current Report on Form 8-K dated April 5, 2002).**

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

10.24 Employment Agreement between Green Mountain Coffee, Inc., and Robert D. Britt dated as of November 11, 2002.*

10.25 Resignation of Kevin G. McBride dated December 11, 2002, and Exhibit A (proposed Release and Severance Agreement). *

21 List of Subsidiaries of the Company.

23 Consent of PricewaterhouseCoopers LLP.

24 Powers of Attorney.

99.1 Certification of Chief Executive Officer.

99.2 Certification of Chief Financial Officer.

* Management contract or compensatory plan

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

Reports on From 8-K

On September 6, 2002, the Company filed a Current Report on Form 8-K which reported that on August 30, 2002, its wholly-owned subsidiaries, Green Mountain Coffee Roasters, Inc. ("GMCR") and Green Mountain Coffee Roasters Franchising Corporation, Inc. ("GMCRF") entered into a new syndicated credit facility with Fleet National Bank ("Fleet"), as agent, and Fleet and Banknorth N.A. ("Banknorth" and together with Fleet, the "Lenders"), as participating lenders. The new credit facility includes a $15,000,000 five-year term loan which was immediately used to repay the Company's existing term loan of $4,375,000 and to pay down most of the Company's then current credit line. The new credit facility also includes an equipment line of credit of up to $5,000,0000 and a revolving line of credit of up to $12,500,000 which is subject to a borrowing base formula, and matures on March 31, 2005. The credit facility is secured by all of the Company's assets, including a pledge of the capital stock of Keurig, Incorporated owned by the Company.

On October 25, 2002, the Company filed a Current Report on Form 8-K which reported that based on preliminary financial data, the Company expected its fourth quarter and annual sales and earnings results to be lower than it previously anticipated. In addition, the Company reported that it intends to repurchase on the open market up to $3,000,000 of its outstanding shares of common stock over approximately the next three months subject to market conditions and other factors.

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
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 ROBERT P. STILLER	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 23, 2002
/s/ William G. Hogan WILLIAM G. HOGAN	Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial and Accounting Officer)	December 23, 2002
KATHRYN S. BROOKS*	Vice President of Human Resources and Organizational Development and Director	December 23, 2002
BARBARA CARLINI*	Director	December 23, 2002
WILLIAM D. DAVIS*	Director	December 23, 2002
JULES A. DEL VECCHIO*	Director	December 23, 2002
HINDA MILLER*	Director	December 23, 2002
DAVID E. MORAN*	Director	December 23, 2002

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

CERTIFICATIONS

I, Robert P. Stiller, Chief Executive Officer of Green Mountain Coffee, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Green Mountain Coffee, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 23, 2002

/s/ Robert P. Stiller
Robert P. Stiller
Chief Executive Officer

I, William G. Hogan, Chief Financial Officer of Green Mountain Coffee, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Green Mountain Coffee, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 23, 2002

/s/ William G. Hogan

William G. Hogan
Chief Financial Officer

GREEN MOUNTAIN COFFEE, INC.
Index to Consolidated Financial Statements

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 equity, comprehensive income and cash flows present fairly, in all material respects, the financial position of Green Mountain Coffee, Inc. at September 28, 2002 and September 29, 2001 and the results of its operations and its cash flows for each of the three years in the period ended September 28, 2002 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 15, 2002

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

	September 28, 2002	September 29, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 800	$ 979
Receivables, less allowances of $351 and $492 at September 28, 2002, and September 29, 2001,		

respectively	9,132	9,142
Inventories	5,876	5,876
Other current assets	789	707
Income taxes receivable	528	743
Deferred income taxes, net	546	738
Total current assets	17,671	18,185
Fixed assets, net	20,834	14,397
Investment in Keurig, Incorporated	14,491	151
Goodwill and other intangibles	1,465	1,546
Other long-term assets	226	144
Deferred income taxes, net	-	73
	$ 54,687	$ 34,496
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 3,193	$ 195
Accounts payable	6,271	6,099
Accrued compensation costs	1,031	1,682
Accrued expenses	1,271	1,664
Total current liabilities	11,766	9,640
Long-term debt	12,079	256
Long-term line of credit	3,130	6,000
Deferred tax liability	647	-
Commitments and contingencies (see Note 16)		
Stockholders' equity:		
Common stock, $0.10 par value: Authorized - 20,000,000 shares; Issued - 7,956,872 and 7,804,647 shares at September 28, 2002 and September 29, 2001, respectively	795	780
Additional paid-in capital	19,793	18,390
Retained earnings	14,648	8,678
Accumulated other comprehensive (loss)	(12)	(219)
ESOP unallocated shares, at cost - 40,941 and 73,800 shares at September 28, 2002, and September 29, 2001, respectively	(1,109)	(2,000)
Treasury shares, at cost - 1,138,273 and 1,137,506 shares at September 28, 2002, and September 29, 2001, respectively	(7,050)	(7,029)
Total stockholders' equity	27,065	18,600
	$ 54,687	$ 34,496
	=====	=====

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

	Year Ended		
	September 28, 2002	**September 29, 2001**	**September 30, 2000**
Net sales	$ 100,000	$ 95,576	$ 84,001

Cost of sales	56,785	55,205	50,835
Gross profit	43,215	40,371	33,166
Selling and operating expenses	25,045	23,278	20,377
General and administrative expenses	7,490	6,972	5,887
Loss on abandonment of equipment	-	-	135
Operating income	10,680	10,121	6,767
Other (expense) income	(30)	39	48
Interest expense	(280)	(533)	(583)
Income before income taxes	10,370	9,627	6,232
Income tax expense	(4,138)	(3,845)	(2,079)
Income before equity in net earnings of Keurig, Incorporated	6,232	5,782	4,153
Equity in net earnings of Keurig, Incorporated	(262)	-	-
Income from continuing operations	5,970	5,782	4,153
Discontinued operations:			
Income on disposal of retail stores, net of income tax expense of $81 and $40 for the years ended September 29, 2001, and September 30, 2000, respectively	-	118	60
Net income	$ 5,970 =====	$ 5,900 =====	$ 4,213 =====
Basic income per share:			
Weighted average shares outstanding	6,677,394	6,398,577	6,586,844
Income from continuing operations	$0.89	$0.90	$0.63
Income from discontinued operations	$0.00	$0.02	$0.01
Net income	$0.89	$0.92	$0.64
Diluted income per share:			
Weighted average shares outstanding	7,264,310	7,196,740	6,979,244
Income from continuing operations	$0.82	$0.80	$0.59
Income from discontinued operations	$0.00	$0.02	$0.01
Net income	$0.82	$0.82	$0.60

GREEN MOUNTAIN COFFEE, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended September 28, 2002, September 29, 2001, and September 30, 2000
(Dollars in thousands)

	Common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other compre-hensive (loss)	Treasury stock		ESOP unallo
	Shares	Amount				Shares	Amount	Shares
Balance at September 25, 1999	7,230,808	$ 724	$ 13,047	$ (1,435)	-	(201,218)	$ (654)	-
Issuance of common stock under								

employee stock purchase plan	64,618	6	273	-	-	-	-	-
Options exercised	46,584	4	165	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(936,288)	(6,375)	-
Non cash compensation expense	-	-	49	-	-	-	-	-
Net income	-	-	-	4,213	-	-	-	-
Balance at September 30, 2000	7,342,010	734	13,534	2,778	-	(1,137,506)	(7,029)	-
Issuance of common stock under								
employee stock purchase plan	40,569	4	415	-	-	-	-	-
Options exercised	422,068	42	1,604	-	-	-	-	-
Purchase of unallocated ESOP shares	-	-	-	-	-	-	-	(73,800)
Tax benefit from exercise of options	-	-	2,828	-	-	-	-	-
Other comprehensive loss, net of tax	-	-	-	-	$ (219)	-	-	-
Short-swing profit	-	-	9	-	-	-	-	-
Net income	-	-	-	5,900	-	-	-	-
Balance at September 29, 2001	7,804,647	780	18,390	8,678	(219)	(1,137,506)	(7,029)	(73,800)
Issuance of common stock under								
employee stock purchase plan	38,365	4	517	-	-	-	-	-
Options exercised	113,860	11	441	-	-	(767)	(21)	-
Allocation of ESOP shares	-	-	(285)	-	-	-	-	32,859
Tax benefit from allocation of ESOP shares	-	-	107	-	-	-	-	-
Tax benefit from exercise of options	-	-	623	-	-	-	-	-
Other comprehensive loss, net of tax	-	-	-	-	207	-	-	-
Net income	-	-	-	5,970	-	-	-	-
Balance at September 28, 2002	7,956,872	$ 795	$ 19,793	$14,648	$ (12)	(1,138,273)	$(7,050)	(40,941)
	=====	===	====	====	===	=====	====	====

GREEN MOUNTAIN COFFEE, INC.
Consolidated Statement of Comprehensive Income
(Dollars in thousands)

	Year Ended		
	September 28, 2002	September 29, 2001	September 30, 2000
Net income	$ 5,970	$ 5,900	$ 4,213
Other comprehensive loss, net of tax:			
Deferred losses on derivatives designated as cash flow hedges	(56)	(408)	-
Losses on derivatives designated as cash flow hedges included in net income	263	189	-
Other comprehensive income (loss)	207	(219)	-
Comprehensive income	$ 6,177	$ 5,681	$ 4,213
	=====	=====	=====

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

	Year ended		
	September 28, 2002	September 29, 2001	September 30, 2000
Cash flows from operating activities:			
Net income	$ 5,970	$ 5,900	$4,213
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	-	(118)	(60)
Depreciation and amortization	4,081	3,673	2,968
Loss (gain) on disposal of fixed assets	34	(20)	173
Provision for doubtful accounts	333	830	361
Non-cash compensation			

	-	-	49
Tax benefit from exercise of non-qualified stock options	623	2,828	-
Equity in loss of Keurig, Incorporated	262	-	-
Deferred income taxes	912	(132)	(28)
Changes in assets and liabilities:			
Receivables	(323)	(1,518)	(2,592)
Inventories	-	(108)	59
Other current assets	(82)	28	(39)
Income taxes receivable	215	(714)	206
Other long-term assets	(82)	53	(98)
Accounts payable	172	(26)	1,574
Accrued compensation costs	(51)	301	376
Accrued expenses	(187)	761	327
Net cash provided by continuing operations	11,877	11,738	7,489
Net cash used for discontinued operations	-	-	(13)
Net cash provided by operating activities	11,877	11,738	7,476
Cash flows from investing activities:			
Investment in Keurig, Incorporated	(14,602)	-	-
Expenditures for fixed assets, excluding Frontier assets	(11,042)	(6,666)	(4,597)
Proceeds from disposals of fixed assets	571	215	365
Payment for Frontier acquisition	-	(2,474)	-
Net cash used for investing activities	(25,073)	(8,925)	(4,232)
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,066	2,074	448
Purchase of treasury shares	-	-	(6,375)
Purchase of unallocated ESOP shares	-	(2,000)	-
Proceeds from issuance of long-term debt	20,017	196	123
Repayment of long-term debt	(5,196)	(163)	(2,740)
(Repayment of) borrowings under revolving line of credit	(2,870)	(2,500)	5,444
Net cash provided by (used for) financing activities	13,017	(2,393)	(3,100)
Net (decrease) increase in cash and cash equivalents	(179)	420	144
Cash and cash equivalents at beginning of year	979	559	415
Cash and cash equivalents at end of year	$ 800	$ 979	$ 559
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Non cash activities - release of ESOP shares to participants	$600	-	-
Cash paid for interest	$ 247	$ 526	$ 607
Cash paid for income taxes	$2,423	$ 1,656	$1,896

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 consumer direct operation serving customers nationwide.

The Company's fiscal year ends on the last Saturday in September. Fiscal 2002, fiscal 2001 and fiscal 2000 represent the years ended September 28, 2002, September 29, 2001, and September 30, 2000, respectively. Fiscal 2000 consists of 53 weeks, whereas fiscal 2002 and 2001 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. 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 requires 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 is either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company adopted SFAS 133 as of October 1, 2000. The adoption of SFAS 133 did not have a material impact on the Company's financial position and results from operations, and did not 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 a minority investment in ChefExpress.net, Inc (see Note 19). 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 28, 2002 and September 29, 2001 were $103,000 and $14,000, respectively. The minority investment in ChefExpress.net, which was written down to zero in fiscal 2002, represented less than a 5% interest and was accounted for under the cost method.

Advertising costs

The Company expenses the costs of advertising the first time the advertising takes place, except for direct mail campaigns targeted directly at consumers, which are expensed over the period during which the catalog is expected to generate sales. At September 28, 2002 and September 29, 2001, prepaid advertising costs of $49,000 and $88,000, respectively, were recorded in other current assets in the accompanying consolidated balance sheet. Advertising expense totaled $4,454,000, $4,392,000, and $4,183,000 for the years ended September 28, 2002, September 29, 2001, and September 30, 2000, respectively.

Fixed assets

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

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

Revenue recognition

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

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 was required to be in conformity with the provisions of SAB 101 in the fourth quarter of fiscal 2001. The adoption of SAB 101 did not have a material impact on the Company's financial position or results of operations

Cost of sales

The Company records external shipping and handling expenses in cost of sales. The Company also recorded in cost of sales royalties in the amount of $4,878,000, $5,256,000 and $3,884,000 for the years ended September 28, 2002, September 29, 2001 and September 30, 2000, respectively, to a related party.

Income taxes

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

Financial instruments

The Company enters into various types of financial instruments in the normal course of business. Fair values are estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk. The fair values of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses and debt approximate their carrying value at September 28, 2002.

Use of estimates

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

Significant customer credit risk and supply risk

Since March 2001, under a new distribution agreement with ExxonMobil Corporation ("ExxonMobil"), all corporate-owned locations as well as a number of franchisee-owned locations must purchase their coffee from McLane Company ("McLane"), with McLane becoming the direct customer of Green Mountain Coffee. Net sales to McLane and corporate-owned ExxonMobil convenience stores made up less than 10% of the Company's revenues in the years ended September 28, 2002, September 29, 2001 and September 30, 2000.

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.

Recent pronouncements

During 2000, the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) addressed various issues which impact the income statement classification of certain promotional payments. In May 2000, the EITF reached a consensus on Issue 00-14 "Accounting for Certain Sales Incentives." EITF Issue 00-14 provides guidance relating to the income statement classification of certain sales incentives. In April 2001, the EITF reached a consensus on EITF Issue 00-25 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products or Services." EITF Issue 00-25 addresses when certain consideration from a vendor to a reseller should be classified in the vendor's income statement as a reduction of revenue. Issue 00-14 and Issue 00-25 were effective for the second quarter of fiscal 2002 for the Company.

The Company has evaluated the impact of adopting these pronouncements on its consolidated financial statements and has reclassified a portion of free goods provided to its customers from selling and operating expenses to cost of sales. The increase in cost of sales (and corresponding decrease in selling and operating expenses) was $617,000, $491,000 and $370,000, for fiscal 2002, 2001 and 2000, respectively. The impact on revenues from the reclassification of consideration paid to resellers (primarily in the form of payments for certain cooperative advertisement programs) was immaterial.

In June 2001, the FASB issued SFAS No. 141 " Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, but are reviewed annually at a minimum for potential impairment by comparing the carrying value to the fair value of the reporting unit to which they are assigned. The provisions of SFAS No. 141 apply to acquisitions completed subsequent to June 30, 2001. SFAS No. 142 is required to be adopted for goodwill and intangible assets arising from acquisitions prior to June 30, 2001.

The Company early adopted the provisions of SFAS No. 142 and ceased amortizing goodwill during its first quarter of fiscal 2002. The results for 2002 include the effect of adopting SFAS No. 142 "Goodwill and Other Intangible Assets" which resulted in a $ 59,000 reduction in expenses (net of tax). The reduction in amortization expense this year represents the amount of amortization of goodwill that arose from the June 5, 2001 acquisition of the Frontier ® Organic Coffee assets.

If the adoption of SFAS No. 142 had occurred as of the beginning of fiscal 2001, the impact on the consolidated results of the Company would have been to reduce goodwill amortization by $18,000 (net of tax) resulting in an adjusted net income of $5,918,000.

The Company carried $125,000 of intangibles from the Frontier acquisition (primarily a trademark licensing agreement) and related accumulated amortization of $106,000 on its September 28, 2002 balance sheet. These intangibles will be fully amortized by the end of the first quarter of fiscal 2003.

The carrying value of the Company's goodwill was approximately $1,446,000 at September 28, 2002. There have been no changes in this carrying amount since September 29, 2001. The Company completed its impairment testing of goodwill upon adoption of this Standard and at September 28, 2002, concluding that its goodwill is not impaired.

In April 2002, the FASB issued Statement No. 145 ("SFAS 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which supersedes FASB issued Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," FASB issued Statement No. 44, "Accounting for Intangible Assets of Motor Carriers," and FASB issued Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement also amends FASB issued Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statement also amends other existing pronouncements to make various technical corrections, clarify meanings or describe the applicability under changed conditions. SFAS 145 requires gains and losses from the extinguishment of debt to be classified as extraordinary items only if they meet the criteria in Accounting Principal Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This statement also requires lease modifications that have economic effects similar to sale-leaseback transactions to be accounted for in the same manner as sale-leaseback transactions. The provisions in SFAS 145 relating to sale-leaseback transactions are effective as of May 15, 2002. The remaining provisions in SFAS 145 will be effective for the Company beginning in fiscal 2003. The Company does not expect the provisions of SFAS 145 to have a material impact, if any, on the Company's consolidated financial statements.

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3 ("EITF 94-3"), "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. EITF 94-3 allowed for an exit cost liability to be recognized at the date of an entity's commitment to an exit plan. SFAS 146 also requires that liabilities recorded in connection with exit plans be initially measured at fair value. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. The Company is evaluating the effect of the adoption of SFAS 146 and does not expect the adoption of SFAS 146 to have a material impact, if any, on the Company's consolidated financial statements.

Reclassifications

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

3. Inventories

Inventories consist of the following:

	September 28, 2002	September 29, 2001
Raw materials and supplies	$ 3,332,000	$ 2,914,000
Finished goods	2,544,000	2,962,000
	$ 5,876,000	$ 5,876,000

======== ========

Inventory values above are presented net of $ 234,000 and $149,000 of obsolescence reserves at September 28, 2002 and September 29, 2001, respectively.

At September 28, 2002, the Company had approximately $15,047,000 in purchase commitments, of which approximately 88% had a fixed price. These commitments extend through 2005. The value of the variable portion of these commitments was calculated using an average "C" price of coffee of $0.57. 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 28, 2002	September 29, 2001
Production equipment	3 - 15	$ 11,040,000	$ 6,510,000
Computer equipment and software	1 - 5	6,160,000	6,135,000
Furniture and fixtures	2 - 10	2,335,000	1,742,000
Equipment on loan to wholesale customers	3 - 5	8,241,000	7,312,000
Vehicles	4 - 5	829,000	845,000
Leasehold improvements	2 - 10 or remaining life of the lease, whichever is less	3,540,000	2,838,000
Construction-in-progress		3,814,000	2,456,000
Total fixed assets		35,959,000	27,838,000
Accumulated depreciation		(15,125,000)	(13,441,000)
		$ 20,834,000	$ 14,397,000
		=======	=======

Total depreciation expense from continuing operations relating to all fixed assets was $4,000,000, $3,619,000, and $2,968,000 for fiscal 2002, 2001, and 2000, respectively.

Assets classified as Construction-in-progress were not depreciated in fiscal 2002, as they were not ready for production use. All assets classified as construction-in-progress on September 28, 2002 are expected to be in production use before the end of fiscal 2003.

During fiscal 2002, $135,000 of interest expense was capitalized as part of the Waterbury plant capacity expansion project. No interest was capitalized in fiscal 2001 and fiscal 2000.

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.

5. Income Taxes

The provision for income taxes from continuing operations for the years ended September 28, 2002, September 29, 2001, and September 30, 2000 consists of the following:

	September 28,	September 29,	September 30,

	2002	2001	2000
Current tax expense:			
Federal	$ 2,792,000	$ 2,874,000	$ 2,029,000
State	552,000	906,000	348,000
Benefit of net operating loss carryforwards	-	-	(272,000)
Total current	3,344,000	3,780,000	2,105,000
Deferred tax expense:			
Federal	611,000	(18,000)	217,000
State	332,000	83,000	291,000
Total deferred	943,000	65,000	508,000
Tax asset valuation allowance	(149,000)	-	(534,000)
Total tax expense	$ 4,138,000	$ 3,845,000	$ 2,079,000
	======	======	======

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) consist of the following:

	September 28, 2002	September 29, 2001
Deferred tax assets:		
Vermont state manufacturers investment tax credit	$ 2,070,000	$ 2,353,000
Section 263A adjustment	7,000	8,000
Deferred hedging losses	8,000	150,000
Other reserves and temporary differences	285,000	370,000
Gross deferred tax assets	2,370,000	2,881,000
Deferred tax asset valuation allowance	(1,672,000)	(1,821,000)
Deferred tax liability: Depreciation	(799,000)	(249,000)
Net deferred tax assets (liabilities)	$ (101,000)	$ 811,000
	======	======

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 2002, 2001 and 2000, the Company utilized $283,000, $87,000 and $185,000 of this credit, respectively. 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 2002 and 2000, the deferred tax asset valuation allowance was reduced by $170,000 and $534,000, respectively, 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.

During fiscal 2002, the deferred tax asset valuation allowance was increased by $21,000 due to the Company incurring a capital loss which it does not expect to utilize.

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 28, 2002	September 29, 2001	September 30, 2000
Tax at U.S. Federal Statutory rate	$ 3,526,000	$ 3,273,000	$ 2,120,000
Increase (decrease) in rates resulting from:			
Other nondeductible items	90,000	(86,000)	42,000
State taxes, net of federal benefit	671,000	658,000	447,000
Deferred tax asset valuation allowance and other	(149,000)	-	(530,000)
Tax at effective rates	$ 4,138,000	$ 3,845,000	$ 2,079,000
	======	======	======

6. Investment in Keurig, Incorporated

During the first two quarters of fiscal 2002, the Company purchased 586,350 shares of Preferred Stock and 317,969 shares of Common Stock of Keurig, Incorporated ("Keurig") for approximately $5,921,000 from third-party investors in Keurig. During the third fiscal quarter of fiscal 2002, the Company purchased an additional 1,324,885 shares of Common Stock and 3,925 shares of Preferred Stock of Keurig from third party investors for approximately $8,681,000. Prior to January 8, 2002, the Company had an investment in the Preferred Stock of Keurig of $151,000. The shares of Common Stock owned by the Company as of July 6, 2002 and September 28, 2002 represent approximately 49.93% of Keurig's outstanding Common Stock and the total acquired shares (Preferred Stock and Common Stock) represent approximately 41.9% of Keurig's common equivalent shares. As a result, in its third fiscal quarter of 2002, the Company adopted the equity method of accounting to report its investment in Keurig. Due to the timing of the Company's investment in common stock of Keurig in the first two quarters of fiscal 2002, the retroactive application of equity method accounting to the results of the Company would not be material.

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

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

In addition to its investment in Keurig, Incorporated, the Company conducts arms length business transactions with Keurig. Under a license agreement with Keurig, dated June 30, 2002 as amended, the Company pays Keurig a royalty for sales of Keurig licensed products. At September 28, 2002 and September 29, 2001, the Company had royalties payable to Keurig of $595,000 and $758,000, respectively.

Keurig is on a calendar fiscal schedule. The Company has included in its income for the year ended September 28, 2002 the Company's ownership interest of the second and third calendar fiscal quarters of Keurig's earnings (April 1, 2002 through September 30, 2002), without giving effect for the differences between the duration of the Company's third and fourth fiscal quarters (24 weeks) and Keurig's second and third calendar fiscal quarters (26 weeks). During the last two fiscal quarters of 2002, the equity impact of Keurig's earnings was $(262,000), net of tax. The equity in earnings in the investment of Keurig represents the Company's portion of Keurig's earnings for the period relative to the Company's ownership of Common Stock in Keurig for that period including certain adjustments. These adjustments include the amortization of assigned intangible assets, the accretion of Preferred Stock dividends, as well as depreciation differences between the Company's equity in the fair value of certain fixed assets as compared to Keurig's historical cost basis. An additional adjustment was the elimination of Keurig's $720,000 gain on the sale of packaging lines purchased by the Company for a price of $2,613,000 in the fourth quarter of fiscal 2002.

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

Income Statement Information for the Twelve Months ended September 30, 2002

Dollars in thousands	
Revenues	$21,560
Cost of goods sold	$ 9,809
Selling, general, and administrative expenses	$10,489
Operating income	$ 1,262
Net income	$ 623

Financial Position Information as of September 30, 2002 Dollars in thousands	
Current assets	$12,500
Property, plant and equipment, net	$ 5,018
Other assets	$ 528
Total assets	$18,046
Current liabilities	$ 2,285
Noncurrent liabilities	$ 1,237
Redeemable preferred	$17,683
Stockholder's equity	$(3,159)

The following selected unaudited pro forma consolidated results of operations are presented as if the investment had occurred as of the beginning of the periods presented. The pro forma results give effect to certain adjustments including the additional funds borrowed to consummate the investment at interest rates consistent with those for each respective period and the related income tax effects.

Dollars in thousands	Fiscal Year 2002	Fiscal Year 2001	Fiscal Year 2000
Net sales	$100,000	$ 95,576	$ 84,001
Operating income	$ 10,680	$ 10,121	$ 6,767
Income from continuing operations before equity in net earnings of Keurig, Incorporated	$ 6,073	$ 5,244	$ 5,564
Equity in net earnings of Keurig, Incorporated	$ (159)	$ (661)	$ (805)
Net income	$ 5,914	$ 4,701	$ 2,742
Basic income per share	$ 0.89	$ 0.73	$ 0.43
Diluted income per share	$ 0.81	$ 0.65	$ 0.39

7. Acquisition of Frontier ® Organic Coffee Organic Coffee

On June 5, 2001, Green Mountain Coffee Roasters purchased the assets related to the coffee business of Frontier Natural Products Co-op of Norway, Iowa for a cash payment of approximately $2,440,000. The allocation of the purchase price was as follows: $601,000 of inventory, $271,000 of fixed assets, $125,000 of intangible assets and $1,443,000 of goodwill. In addition, the Company incurred transactions costs in the amount of $34,000 that are classified as goodwill. This acquisition was recorded as a purchase business combination in accordance with Accounting Principles Board Opinion No. 16 (APB 16), "Business Combinations." Goodwill and other intangible assets recorded associated with this acquisition are being amortized over their estimated useful lives ranging from 1 to 15 years. The Company believes that Frontier's social responsibility positioning, high-quality certified organic coffees combined with its presence in the natural food distribution channel will enhance the Company's strategic position.

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations" and No. 142 (FAS 142), "Goodwill and Other Intangible Assets." FAS 141 supercedes APB 16. FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of intangible assets separately from goodwill. Provisions of FAS 141 will be effective for the

Company's business acquisitions that are consummated after July 1, 2001. FAS 142 supercedes Accounting Principles Board Opinion No. 17, "Intangible Assets," and addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Under FAS 142, goodwill and indefinite lived intangible assets will no longer be amortized but will be tested for impairment at least annually at the reporting unit level. In addition, the amortization period of intangible assets with finite lives will no longer be limited to forty years. The Company adopted the provisions of FAS 142 in the first quarter of fiscal 2002, which resulted in the elimination of goodwill amortization in fiscal 2002.

8. Credit Facility

The Company maintains a credit facility (the "Credit Facility") with Fleet National Bank ("Fleet"). In the second quarter of fiscal 2002, in order to finance the Keurig investment, the Company extended its existing $15,000,000 line of credit with Fleet by one year to March 31, 2004 and entered into a $5,000,000 term loan.

On August 30, 2002, the Company entered into a new syndicated credit facility with Fleet as agent, and Fleet and Banknorth N.A. as participating lenders. The new credit facility includes a $15 million five-year term loan that was used to repay the Company's term loan and to pay down most of the Company's existing credit line. The new credit facility also includes an equipment line of credit of up to $5 million and a revolving line of credit of up to $12.5 million, which is subject to a borrowing base formula, and matures on March 31, 2005. The credit facility is secured by all of the Company's assets, including a pledge of the capital stock of Keurig, Incorporated owned by the Company.

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

Interest rates on September 28, 2002 for each portion of the line of credit were as follows: 3.31% (Banker's Acceptance rate plus 150 basis points) on $2,000,000; and 4.75% (prime rate) on $1,130,000. The interest rate on September 28, 2002 on the term loan was 3.57% (LIBOR rate plus 175 basis points).

Interest rates on September 29, 2001 for each portion of the line of credit were as follows: 3.50% plus 110 basis points on $2,000,000; 3.41% plus 110 basis points on $1,500,000; 3.54% plus 110 basis points on $1,500,000; and 2.76% plus 110 basis points on $1,000,000.

The Company also has entered into a $5 million amortizing interest swap agreement effective January 1, 2003, in order to fix the interest rate on a portion of the term loan. The $15 million term loan is to be paid back in quarterly installments of $750,000, beginning on September 30, 2002 and ending on June 30, 2007. At September 28, 2002, the outstanding balance on the Fleet line of credit was $3,130,000 and, based upon the revolving line of credit's borrowing base formula, the amount remaining available was $10,741,000 (including the $5,000,000 specific equipment line). 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 28, 2002.

9. Long-term Debt

	September 28, 2002	**September 29, 2001**
Fleet line of credit (Note 8)	$ 3,130,000	$ 6,000,000
Fleet and BankNorth Term Debt (Note 8)	15,000,000	-
Central Vermont Economic Development Corporation Debenture	130,000	221,000
Office equipment capital leases	17,000	-
Service vehicle installment loans	125,000	230,000
	18,402,000	6,451,000
Less current portion	3,193,000	195,000
	$ 15,209,000	$ 6,256,000
	=======	=======

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 28, 2002 and September 29, 2001, the notes bear interest at a rate of varying from 2.9% to 4.9% and require monthly installments of principal and interest totaling approximately $9,300. Maturities vary from January 2003 to May 2004.

Office Equipment Capital Leases
The Company leases fax machines. These leases require monthly installments of principal and interest totaling approximately $800. Maturities vary from March 2004 to September 2004.

Maturities

Maturities of long-term debt for years subsequent to September 28, 2002 are as follows:

Fiscal Year	
2003	$ 3,193,000
2004	3,079,000
2005	6,130,000
2006	3,000,000
2007	3,000,000
	$ 18,402,000
	======

10. 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 quarters of fiscal 2001 and fiscal 2000, the Company further revised its estimated pre-tax loss on disposal and reversed $199,000 ($118,000 net of tax) and $100,000 ($60,000 net of tax) respectively of the original estimate, due to lower lease termination costs. The September 28, 2002 and September 29, 2001 balance sheets do not include any remaining estimated loss on disposal.

11. Hedging

The Company regularly enters into coffee futures contracts to hedge forecasted purchases of green coffee and therefore designates these contracts as cash flow hedges. In addition to futures contracts, the Company occasionally purchases coffee options as a way to delay the impact on green coffee costs of a frost in Brazil, which can lead to significant price increases in all green coffee markets. Such options are not designated as hedges and are adjusted to fair market value at the end of each reporting period, with the corresponding gain or loss reflected in income. At September 28, 2002, the Company held outstanding futures contracts covering 1,087,500 pounds of coffee with a fair market value of $(14,000). At September 28, 2002, deferred losses on futures contracts designated as cash flow hedges amounted to $19,000 ($12,000 net of taxes). These deferred losses are classified as accumulated other comprehensive losses. These futures contracts are hedging coffee purchases forecasted to take place in the next eight months and the related gains and losses will be reflected in cost of sales in all four fiscal quarters of 2003, when the related finished goods inventory is sold. At September 29, 2001, the Company held outstanding futures contracts covering 2,175,000 pounds of coffee with a fair market value of $(369,000). No options were outstanding at September 28, 2002 or September 29, 2001. The total losses on futures contracts designated as cash flow hedges that were included in cost of sales in fiscal 2002 and fiscal 2001 amounted to $439,000 ($263,000 net of tax) and $314,000 ($189,000 net of tax), respectively.

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 28, 2002 and September 29, 2001.

12. 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 28, 2002, 73,814 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 150,000 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 550,000. Grants under the 1993 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 28, 2002 and September 29, 2001, options for 14,411 shares and 71,986 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, 500,000 shares of common stock are available for grants of both incentive and non-qualified stock options. Grants under the 1999 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 28, 2002 and September 29, 2001, options for 43,342 shares and 39,592 shares of common stock were available for grant under the plan, respectively.

On September 25, 2001, the Company registered on Form S-8 the 2000 Stock Option Plan (the "2000 Plan"). Under this plan, 800,000 shares of common stock are available for grants of both incentive and non-qualified stock options. Grants under the 2000 Plan expire 10 years after the grant date, or earlier if employment terminates. At September 28, 2002 and September 29, 2001, options for 291,700 shares and 401,000 shares of common stock were available for grant under the plan, respectively.

Under the 1993 Plan, the 1999 Plan and the 2000 Plan, the option price for each incentive stock option shall not be less than the fair market value per share of common stock on the date of grant, with certain provisions which increase the option price to 110% of the fair market value of the common stock if the grantee owns in excess of 10% of the Company's common stock at the date of grant. Under the 1993 Plan and the 1999 Plan, the option price for each non-qualified stock option shall not be less than 85% of the fair market value of the common stock at the date of grant. Options under the 1993 Plan, the 1999 Plan and the 2000 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 25, 1999	1,066,424	$ 2.1875 - 5.00	$ 3.59
Granted	122,600	3.50 - 8.969	4.94
Exercised	(46,584)	2.1875 - 4.25	3.63
Canceled	(19,514)	2.1875 - 6.375	3.14
Outstanding at September 30, 2000	1,122,926	2.1875 - 8.969	3.74
Granted	444,000	9.4375 - 23.05	12.48
Exercised	(422,068)	2.1875 - 7.844	3.90
Canceled	(57,800)	2.1875 - 17.00	4.46
Outstanding at September 29, 2001	1,087,058	2.1875 - 23.05	7.12
Granted	215,250	13.50 - 26.83	21.86
Exercised	(113,860)	2.1875 - 9.4375	3.98
Canceled	(52,125)	2.1875 - 23.95	8.84
Outstanding at September 28, 2002	1,136,323 ======	$ 2.1875 - 26.83	$ 10.15
Exercisable at September 28, 2002	529,657 ======	$ 2.1875 - 20.938	$ 5.36

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding at September 28, 2002	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at September 28, 2002	Weighted average exercise price

$ 14.09 - 20.87	240,000	3.43	$ 15.22	50,000	$ 14.09
3.19 - 4.81	189,562	5.07	4.20	189,562	4.20
2.19 - 4.06	290,461	6.39	2.89	213,569	2.98
3.50 - 9.44	211,600	7.87	8.44	70,166	8.21
13.50 - 26.83	204,700	9.24	21.77	6,360	19.96
	1,136,323			529,657	
	======			=====	

Employee Stock Purchase Plan

On October 5, 1998, the Company registered on Form S-8 the 1998 Employee Stock Purchase Plan. Under this plan, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of the lower of the beginning or ending withholding period fair market value as defined in the plan. A total of 300,000 shares of common stock have been reserved for issuance under the plan. There are two six-month withholding periods in each fiscal year. At September 28, 2002 and September 29, 2001, options for 81,922 shares and 120,287 shares of common stock were available for grant under the plan, respectively.

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 123, the Company's net income and net income per share for the years ended September 28, 2002, September 29, 2001, and September 30, 2000 would have decreased to the pro forma amounts indicated below:

		Fiscal 2002	**Fiscal 2001**	**Fiscal 2000**
Net income:				
	As reported	$ 5,970	$ 5,900	$ 4,213
	Pro forma	4,866	5,047	3,812
Diluted net income per share :	As reported	0.82	0.82	0.60
	Pro forma	0.67	0.70	0.55

The fair value of each stock option under the 1993, 1999 and 2000 Plans are estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions: an expected life averaging 4 years, 5 years, and 6 years in fiscal 2002, 2001, and 2000, respectively; an average volatility of 56%, 97%, and 59% for fiscal 2002, 2001, and 2000 respectively; no dividend yield; and a risk-free interest rate averaging 3.84%, 4.12%, 6.32% for fiscal 2002, 2001, and 2000 grants, respectively. The weighted-average fair values of options granted during 2002, 2001, and 2000 are $12.90, $8.76, and $3.03, 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 2002, 2001, and 2000: an expected life of six months for all periods presented; expected volatility of 56%, 97%, and 59% respectively; and an average risk-free interest rate of 1.96%, 4.02%, and 6.04%, respectively. The weighted average fair value of those purchase rights granted in fiscal 2002, fiscal 2001, and fiscal 2000 was $5.61, $5.34, and $1.85, respectively.

13. 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 who are at least eighteen 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 $425,000, $376,000, and $276,000 for the years ended September 28, 2002, September 29, 2001, and September 30, 2000, respectively.

14. Employee Stock Ownership Plan

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

For the years ended September 28, 2002, September 29, 2001 and September 30, 2000, the Company recorded compensation costs of $200,000, $400,000 and $200,000, respectively, for contributions to the ESOP.

In April 2001, a total of 12,500 shares were purchased at a cost of $197,000 in the open market and distributed directly to participants.

On April 16, 2001, the Company made a $2,000,000 loan to the Trust to provide funds for the open-market purchases of the Company's common stock. This loan bears interest at an annual rate of 8.5% and provides for annual repayments to the Company. The maturity date of the loan is the last business day of the Company's fiscal 2010 year. Between April 19, 2001 and August 21, 2001, the Trust purchased 73,800 shares of the Company's common stock at an average price of $27.11 per share. The fair value of unearned ESOP shares at September 28, 2002 was $534,000 or $13.05 per share. The fair value of unearned ESOP shares at September 29, 2001 was $1,701,000 or $23.05 per share.

In January 2002, 17,354 shares were transferred from the unallocated ESOP pool of shares and allocated to participants' accounts. At September 2002, 15,325 shares had been committed to be released to participants' accounts at the end of the calendar 2002 year.

15. Related party transactions

During fiscal 2002, the Company used travel services provided by Heritage Flight, a company which leases privately-owned airplanes. A portion of those travel fees were for flights on an airplane owned by Sabre Mountain LLC, which is 50% owned by Spirit Too, LLC, a company whose sole owner is Robert P. Stiller, the CEO of Green Mountain Coffee, Inc. The amount of revenues received by Sabre Mountain during fiscal 2002 from trips booked by Green Mountain Coffee amounted to $152,000.

On September 25, 2002, Mr. Stiller purchased 100% of the ownership of Heritage Flight, now known as ElanAir, Inc., dba Heritage Flight. During fiscal 2002, the Company paid at total of $442,000 to Heritage Flight for various travel services.

16. Commitments, Lease Contingencies and Contingent Liabilities

Leases
The Company leases office and retail space, production, distribution and service facilities and certain equipment under various non-cancelable operating leases, with terms ranging from one to 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 $1,848,000, 1,792,000, and $1,616,000 in fiscal 2002, 2001, and 2000, respectively (net of sublease income of $80,000, $135,000, and $137,000 in fiscal 2002, 2001, and 2000, respectively).

Minimum future lease payments (net of committed sublease agreements of $53,000 for fiscal 2003, $54,000 for fiscal 2004, $55,000 for fiscal 2005, $56,000 for fiscal 2006, $56,000 for fiscal 2007 and $7,000 thereafter) under non-cancelable operating leases for years subsequent to September 28, 2002 are as follows:

Fiscal Year	Operating Leases
2003	$ 1,429,000
2004	1,051,000
2005	975,000
2006	814,000
2007	626,000
Thereafter	2,258,000
Total minimum lease payments	$ 7,153,000
	======

Severance agreement
On November 11, 2002, the Company entered into a new employment agreement with one of its executive officers. Per this agreement, the employment of this officer will terminate on January 25, 2003. Severance payments totaling $204,000 plus certain benefits will be provided over a period of 16 months following the termination date.

17. Earnings per share

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

		Year ended	
	September 28, 2002	September 29, 2001	September 30, 2000
Numerator - basic and diluted earnings per share:			
Net income from continuing operations	$ 5,970	$ 5,782	$ 4,153
Denominator:	======	======	======
Basic earnings per share - weighted average shares outstanding	6,677,394	6,398,577	6,586,844
Effect of dilutive securities -stock options	586,916	798,163	392,400
Diluted earnings per share -weighted average shares outstanding	7,264,310	7,196,740	6,979,244
	======	======	======
Basic earnings per share	$ 0.89	$ 0.90	$ 0.63
Diluted earnings per share	$ 0.82	$ 0.80	$ 0.59

For the fiscal years ended September 28, 2002 and September 30, 2000, anti-dilutive options of 99,000 and 10,000, respectively, have been excluded from the calculation of EPS because the options' exercise price was greater than the market price of the common shares.

18. Segment Reporting

The Company is reporting a single segment in fiscal 2002 and 2001. In prior fiscal years, the Company reported two distinct segments determined by distribution channel: a direct mail segment and a wholesale segment. Both segments of the Company sold similar products, although the entire Company's product range was not fully available to both segments. In fiscal 2000, direct mail sales accounted for $4,146,000 or 4.9% of total Company sales and this segment had been shrinking as a percent of total sales for the past three fiscal years. In addition, on October 1, 2000, in an effort to manage sales to small businesses more effectively, the Company transferred its "business to business" operations from direct mail to its wholesale sales organization, thereby further decreasing the size of the direct mail segment. The Company now refers to its direct mail business as its consumer direct channel.

19. ChefExpress.net, Inc. Promissory Note

In 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 represented an opportunity for the Company to be prominently featured in an e-procurement website that targets chefs in restaurants and the high-end sector of the food service channel. A board member of Green Mountain Coffee was the Chief Executive Officer and President of ChefExpress.net at the time the promissory note was issued. During the second quarter of fiscal 2001, the Company recorded an impairment charge of $52,000 against its $104,000 minority ownership investment in ChefExpress.net, Inc. A second impairment charge of $52,000 was recorded in the second fiscal quarter of 2002, reducing the value of the investment to zero. This was due to the fact that the expected sale of ChefExpress.net was not completed and its operations were closed down in the second quarter of fiscal 2002.

20. Stock Split

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 was December 28, 2000, and the payment date was January 11, 2001. The par value of the common stock remained unchanged at $0.10 per share. All prior year share and per share data presented in this report were restated to reflect this stock split.

21. Unaudited Quarterly Financial Data

The following table presents the quarterly information for fiscal 2002 and fiscal 2001 (dollars in thousands, except per share data). All quarters presented are made of 12 weeks except for the first fiscal quarters of fiscal 2002 and fiscal 2001 which comprise 16 weeks each.

Fiscal 2002	January 19, 2002	April 13, 2002	July 6, 2002	September 28, 2002

Net sales	$ 32,357	$ 23,013	$ 22,989	$ 21,641
Gross profit	$ 14,302	$ 9,939	$ 9,768	$ 9,206
Income from continuing operations	$ 2,246	$ 1,326	$ 1,441	$ 957
Net income	$ 2,246	$ 1,326	$ 1,441	$ 957
Earnings per share:				
Basic	$ 0.34	$ 0.20	$ 0.22	$ 0.14
Diluted	$ 0.31	$ 0.18	$ 0.20	$ 0.13

Fiscal 2001	January 20, 2001	April 14, 2001	July 7, 2001	September 29, 2001
Net sales	$ 30,905	$ 22,741	$ 21,447	$ 20,483
Gross profit	$ 12,370	$ 9,567	$ 9,312	$ 9,122
Income from continuing operations	$ 1,820	$ 1,213	$ 1,342	$ 1,407
Net income	$ 1,820	$ 1,213	$ 1,342	$ 1,525
Earnings per share:				
Basic	$ 0.29	$ 0.19	$ 0.21	$ 0.23
Diluted	$ 0.26	$ 0.17	$ 0.18	$ 0.21

Report of Independent Accountants on Financial Statement Schedules

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

Our audits of the consolidated financial statements referred to in our report dated November 15, 2002 appearing in this Form 10-K also included an audit of the financial statement schedules listed in Item 15(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 15, 2002

Schedule II - Valuation and Qualifying Accounts

for the fiscal years ended
September 28, 2002, September 29, 2001, and September 30, 2000

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts:					
Fiscal 2002	$ 492,000	$ 333,000	-	$ 474,000	$ 351,000
Fiscal 2001	$ 320,000	$ 830,000	-	$ 658,000	$ 492,000
Fiscal 2000	$ 190,000	$ 361,000	-	$ 231,000	$ 320,000
Obsolete inventory valuation allowance:					
Fiscal 2002	$149,000	$289,000	-	$204,000	$234,000
Fiscal 2001	$ 127,000	$106,000	-	$ 84,000	$149,000
Fiscal 2000	$ 136,000	$ 77,000	-	$ 86,000	$127,000
Deferred tax asset valuation allowance:					
Fiscal 2002	$1,821,000	$ 21,000	-	$170,000	$1,672,000
Fiscal 2001	$1,821,000	-	-	-	$1,821,000
Fiscal 2000	$2,355,000	-	-	$ 534,000	$1,821,000

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT , made as of the 11th day of November, 2002, between GREEN MOUNTAIN COFFEE, INC., a Delaware corporation ("Employer"), and ROBERT D. BRITT, an individual residing at 3 Adams Court, South Burlington, VT 05403 ("Executive"), is hereby amended and restated as follows:

W I T N E S S E T H:

WHEREAS, Employer wishes to provide for the employment of Executive as further provided below through January 25, 2003;

WHEREAS, Executive wishes to accept employment on the terms and conditions herein set forth during such term; and

WHEREAS, Executive and Employer wish to establish the terms under which the Executive will separate from the employ of Employer;

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

1. Employment, Powers, Duties and Acceptance.

    1. Employer hereby agrees to employ Executive as Employer's Vice President of Finance, Treasurer and Secretary until the close of business November 23, 2002. From November 24, 2002 until the close of business January 25, 2003, Employer will employ Executive. Employee agrees to render services to Employer as Employer's Vice President of Finance, Treasurer and Secretary reporting directly to the Employer's Chief Financial Officer from the date of this Agreement until the close of business on November 23, 2002, and to render services as described below as an employee of Employer from November 24, 2002 until the close of business on January 25, 2003. On November 23, 2002, Executive will tender to Employer his written resignation as an officer and/or director or Green Mountain Coffee, Inc., Green Mountain Coffee Roasters, Inc., Green Mountain Coffee Roasters Franchising Corporation and Green Mountain Coffee Roasters Foundation, Inc. as well as his resignation from the Retirement Plan Committee. On January 25, 2003, Executive will tender to Employer his written resignation as an employee of Employer. Executive presents and warrants to Employer that he has full power and authority to enter into this Agreement and is not under

any obligation of a contractual or other nature to any person, firm, or corporation which is inconsistent or in conflict with this Agreement, or which would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

2. As Vice President of Finance and Treasurer of Employer, Executive shall be responsible for investor relations, risk management and the treasury functions of Employer's business and assisting in the preparation of fiscal 2002 financial statements and will render such other services for Employer, consistent with Executive's status and experience, as may be mutually determined from time to time between Executive and the Chief Financial Officer or the Board of Directors of Employer.
3. As an employee of Employer from November 24, 2002 until January 25, 2003, Executive will provide periodic services to Employer related to transition of responsibilities for Employer's financial matters, investor relations, risk management and treasury functions by telephone and/or electronic mail during normal business hours, not to exceed two hours per week, as mutually convenient to the parties.
4. From the date of this Agreement through November 23, 2002, Executive shall be a full-time employee of Employer and shall devote all of his working time, best efforts and full skill and attention to Employer's business. During this period, Executive (i) shall not be engaged in any other business activity which conflicts with the duties of Executive hereunder or has a material adverse effect on Employer or its goodwill, whether or not such activity is pursued for gain, profit or other pecuniary advantage; and (ii) agrees to serve, without additional compensation, as an officer and/or director of Employer or any parent, subsidiary or affiliate of Employer through November 23, 2002. During the period from November 24, 2002 until January 25, 2003, Executive agrees to be available to Employer at times mutually convenient to the parties during normal business hours for periodic telephone and e-mail consultation not to exceed 2 hours per week.
5. Executive's principal place of employment during the period from the date of execution of this Agreement through November 23, 2002, will be within the area of Waterbury, Vermont and environs, subject to reasonable travel requirements on behalf of Employer. During the period from November 24, 2002 until January 25, 2003, Executive may provide services remotely.

2. <u>Term</u>

The term of Executive's employment (the "Employment Term") under this Agreement will commence as of the day hereof and shall continue until January 25, 2003 unless terminated by Executive's death or disability as further provided below, or if Employee is terminated for cause or resigns prior to January 25, 2003. As used in this Agreement, the term "for cause" shall mean and include any of the following events:

A. Fraud, misappropriation or embezzlement by Executive involving Employer or any subsidiary or affiliate thereof;
B. Conviction in any jurisdiction of Executive for any crime involving moral turpitude or which constitutes a felony;
C. Willful engaging by Executive in conduct which has or could reasonably be expected to have a material adverse effect on Employer or any of its subsidiaries or affiliates; or
D. Material breach by Executive of any representations, warranties, agreements or covenants made by Executive in this Agreement.

3. <u>Compensation</u>

On condition that Executive shall perform each and every term and condition of this Agreement on his part to be kept or performed, Employer agrees to pay or cause to be paid to Executive, and Executive agrees to accept, during the Employment Term, compensation and benefits as follows:

A. A salary at the rate of $153,303 per year ("Base Compensation"), payable in installments in accordance with Employer's standard payroll practices;
B. Such Employer-paid employee benefits as Employer then makes available to full-time senior executive employees, provided Executive otherwise meets eligibility requirements therefore.
C. Vacation with pay in accordance with Employer's standard policy with regard to vacation increases in effect for all full-time employees of Employer.
D. Use and benefit of Employer funded equipment and other resources now used by Executive.
E. Employer will reimburse Executive for all reasonable expenses paid or incurred by him on behalf of Employer in the course of his employment, but payment shall be made only against a signed, itemized list of such expenditures, utilizing procedures and general forms for that purpose established by Employer.
F. Executive will be indemnified against any loss or claim to which he may become subject arising out of the performance of his employment services in accordance with the By-laws of Employer and Employer's then-current Directors' and Officers' Liability Insurance Policy.
G. Vesting of previously granted stock options pursuant to existing Stock Option Agreements between Employer and Employee, subject to the terms and condition of such Stock Option Agreements.

4. <u>Death or Disability</u>

4.1 If Executive shall die or become disabled during the term hereof, the Employment Term will terminate as at that date. Executive's legal representatives or designated beneficiaries shall be entitled to receive Base Compensation and accrued vacation pay under Sections 3.A and 3.C, severance payments under Section 5.A, and continuation of paid health insurance coverage under Sections 3.B and 5.B.

4.2 In the event of the Disability of Executive, as herein defined, Executive shall be entitled to continue to receive payment of his compensation in accordance with the terms of Sections 3 and 5 during the continuance of his Disability, less payments to Executive under the Employer's short-term and/or long-term disability plans. Employer shall have the right, exercisable in its reasonable judgment, to make a determination of the Disability of Executive. The date of commencement of Executive's Disability shall be the date set forth in the notice given by Employer to Executive of a determination of Disability. The term "Disability" shall mean physical or mental illness or injury that would prevent Executive from performing duties for Employer substantially similar to those performed by the Executive during the Employment Term.

5. Severance .

Conditioned upon Executive's employment with Employer on January 25, 2003, other than due to death or disability, and execution of the Release of Employer as otherwise provided in this Agreement (or, in the event of Executive's death or disability, execution of a General Release by the representatives or executor of the estate of Executive on form and content acceptable to Employer), Employer will provide Executive upon termination of the Employment Term:

A. For 16 consecutive months following the Employment Term, severance payments at the rate of $12,775 per month, the first payment to be made on or about February 7, 2003, subject to federal and state withholding requirements, such payments to be made in accordance with Employer's then current payroll practices;
B. Employer shall continue to cover Executive under its health, hospitalization or other medical plan to the same extent and in the same manner, and subject to the same requirements as to contributions by Executive, as applicable generally to full-time executive officers of Employer in such plans. This obligation will expire upon the earlier to occur of 16 months from the end of the Employment Term or the date Executive commences employment with an entity providing health insurance coverage, even if such coverage is not as inclusive or is more expensive than available under Employer's benefit plan. The foregoing coverage shall not relieve Employer of its obligation to the extent provided by law to provide coverage under COBRA subsequent to the completion of the severance payments referenced in A above;
C. Executive will receive the Employer's normal short-term and long-term disability coverage as provided to full-time executives of the Employer. This obligation will expire upon the earlier to occur of 16 months from the date of termination of the Employment Term or the date Executive commences employment with an entity providing disability coverage, even if such coverage is not as inclusive or is more expensive than available under Employer's benefit plan;
D. Commencing December 1, 2002, career counseling and executive outplacement services for the next twelve consecutive months, or until Executive accepts other employment;
E. Positive letters of recommendations in mutually acceptable form to prospective employers of Executive; provided, further, Employer upon request of prospective employers shall confirm Executive's dates of employment, positions held and salary received;
F. As soon as practicable after termination of the Employment Term, Employer will direct its SEC counsel (Merritt & Merritt) to use its best efforts to cause the removal of restrictive legends from shares of Common Stock of Green Mountain Coffee, Inc. owned by Executive, subject to applicable law.
G. Employer will deliver to Executive at his address as provided in this Agreement six (6) 10 oz. or six 12 oz bags of per month commencing with December 2002 and ending with November 2007.

6. Effects of Termination for Cause or Resignation of Executive

Termination of this Agreement by Employer for cause or by Executive by resignation of Executive prior to January 25, 2003 shall entitle Employer immediately to terminate the Employment Term, relieve Executive of all duties and offices, and shall be effective upon written notice thereof to Executive. In the event of termination of Executive's employment under this Agreement by Employer for cause or by Executive's resignation prior to January 25, 2003, Executive shall be entitled to no further compensation hereunder except Base Compensation and vacation pay pursuant to Section 3 that has accrued prior to such termination.

7. Confidentiality Agreement, Covenant Not to Compete or Hire Certain Employees

7.1 In view of the fact that Executive will be brought into close contact with many confidential affairs of Employer and its affiliates not readily available to the public, Executive agrees during the term of his employment under this Agreement and thereafter:

A. Except as provided in the Separation Agreement, to keep secret and retain in the strictest confidence all information about business and financial matters (such as costs, profits and plans for future development, methods of operation and marketing concepts) of Employer and its affiliates; their employment policies and plans; and any other proprietary information relating to Employer and its affiliates, their operations, business and financial affairs, including (subject to applicable law) the terms of this Agreement and Separation Agreement (collectively, but excluding information known to Executive prior to his employment with Employer, the "confidential information") and,
B. for such time as Employer or any of its affiliates is operating, not to disclose the confidential information to anyone not then an officer, director or authorized employee of Employer or any of its affiliates, either during or after the termination of Executive's employment with Employer; and
C. to deliver to Employer within ten days after termination of his services to Employer or at any time Employer may so request, all memoranda, notes, records, reports and other documents, electronic or otherwise, containing confidential information relating to Employer's or any of its affiliates' business, financial affairs or operations and all property associated herewith, which he may then possess or have under his control.
D. The term "confidential information" does not apply to information that can be shown to have been in the public domain through no fault of Executive.

7.2 In consideration of the compensation payable to Executive hereunder, including without limitation, Base Compensation and the severance payments and benefits provided under Section 5, Executive agrees that during the "Non-Compete Period", without Employer's written consent (which may be withheld for any reason or for no reason in Employer's sole discretion), Executive shall not do anything materially adverse to the interests of Employer, and shall not, directly or indirectly himself or by or through a family member or otherwise, alone or as a member of a partnership or joint venture, or as a principal, officer, director, consultant, employee or stockholder of any other entity, compete with Employer or be engaged in or connected with any business competitive with that of Employer or any affiliate, parent or subsidiary thereof, *provided however* , that Executive may own as a passive investment not more than one percent (1%) of the securities of any publicly held corporation that may engage in a business competitive with that of Employer or any affiliate thereof. For purposes of this Section 7.2, the "Non-Compete Period" means (i) such time as Executive is employed by Employer; and (ii) if Executive's employment is terminated by (A) Employer for cause or (B) by reason of Executive's voluntary resignation prior to January 25, 2003, the sixteen (16) month period following such termination; or (iii) the sixteen (16) month period in which severance payments are made.

7.3 Executive shall not at any time during the term of this Agreement or the sixteen month period following the termination of his employment with Employer for any reason whatsoever ("the Restricted Period"), without prior written approval of Employer (i) employ any individual who was employed by Employer or any affiliate thereof at any time during the Restricted Period or (ii) in any material aspect cause, influence, or participate in the employment of any such individual by anyone else in any business that is competitive with any of the businesses engaged in by Employer or any affiliate, parent or subsidiary.

7.4 Executive shall not at any time during the Restricted Period or directly or indirectly (i) persuade or attempt to persuade any material customer or supplier of Employer or any affiliate thereof to cease doing business with Employer or any affiliate thereof or to reduce the amount of business it does with Employer or any affiliate thereof or (ii) solicit for himself or any person the coffee and coffee-related sales of any individual or business which was a material customer or supplier of Employer or any affiliate thereof at any time during the one-year period immediately preceding such termination. For purposes of this Agreement, a "material" customer or supplier is a customer or supplier doing business in excess of $35,000 per year with Employer.

7.5 Employee will not during the term of his employment or thereafter disparage Employer, its affiliates, parent or subsidiaries, its officers, employees or Board of Directors. Employer will not disparage Employee.

7.6 It is agreed that Executive's obligations pursuant to this Section 7 are unique and that any breach or threatened breach by Executive of any of the foregoing provisions of this Section 7 cannot be remedied solely by damages. In the event of a breach or a threatened breach by Executive of any of the provisions of this Section 7, Employer shall be entitled to injunctive relief restraining Executive and any business, firm, partnership, individual, corporation or entity participating in such breach or attempted breach without posting a bond or further proof of irreparable harm. Nothing herein, however, shall be construed as prohibiting Employer from pursuing any other remedies available by law or in equity, for such breach or threatened breach including the recovery of damages and the immediate termination of Executive. Executive acknowledges that the restrictions, prohibitions and obligations of this section are reasonable and necessary for the protection of Employer and its business interests. Executive is willing to enter into these obligations and restrictions on future activity to provide Employer with what Executive considers necessary for the protection of Employer's legitimate business interests. Executive covenants that he will not challenge the enforceability nor raise any equitable defense to Employer's enforcement of this Section 7. Employer agrees that its obligations pursuant to Sections 5E and 7.5 are unique and that any breach or threatened breach by Employer of such provisions cannot be remedied solely by damages. In the event of a breach or threatened breach by Employer of such provisions Employee shall be entitled to seek injunctive relief and/or specific performance. Nothing herein, however shall be construed as prohibiting Employee from pursuing any other remedies available by law or in equity, for such breach or threatened breach including the recovery of damages. The provisions of this Section 7 shall survive termination of the Employment Term and this Agreement for any reason.

8. Execution of General and Special Release and Waiver of Claims.

Provision by Employer of any and all severance payments and benefits pursuant to Section 5 of this Agreement are specifically conditioned on employment of Executive by Employer on January 25, 2003, unless due to death or disability of Executive, and the delivery by Executive on or before January 25, 2003 of a signed release and waiver of known and unknown claims related to Executive's employment and termination of employment in form attached to and made a part of this Agreement as Exhibit A, which release is not revoked, or in the event of the death or disability of Executive, delivery by the representatives or executors of the estate of Executive on or before January 25, 2003 of a signed release and waiver of known and unknown claims related to Executive's employment and termination of employment acceptable in form and content to Employer. In the event Executive revokes the release, Executive will immediately repay to Employer all sums paid pursuant Section 5 to or on behalf of Executive, and Employer will have no further obligation to Executive, his heirs, beneficiaries, representative or executors of the estate of Executive under this Agreement other than as required by COBRA and other applicable law.

9. Miscellaneous.

9.1 Relationship of Parties . The relationship of the parties is one of employer/employee only. Neither Executive nor Employer shall be or become liable or bound by any representation, act or omission whatsoever of the other made contrary to the provisions of this Agreement.

9.2 Assignment . Neither this Agreement nor any rights to any payments hereunder may be assigned or transferred by Executive, but in the event of Executive's death, it shall be binding upon and inure to the benefit of his heirs and distributees and his executors, administrators and personal representatives. This Agreement is binding on the successors and assigns of Employer.

9.3 Notices . All notices and communications hereunder shall be in writing and be given by hand or by registered or certified mail, postage and registration or certification fees prepaid, and shall be deemed given when so mailed or delivered personally as follows:

If to Employer:

Green Mountain Coffee, Inc.

33 Coffee Lane

Waterbury, VT 05676

Attn: Mr. Robert P. Stiller

If to Executive:

Mr. Robert D. Britt

3 Adams Court

South Burlington, VT 05403

The foregoing addresses may be changed by notice given in the manner set forth in this section.

9.4 Entire Agreement . This Agreement, including the Release attached to and made a part of this Agreement as Exhibit A, contains the entire understanding of the parties hereto with respect to the employment of Executive by Employer during the term hereof, and the provisions hereof may not be altered, amended, waived, terminated, or discharged in any way whatsoever except by subsequent written agreement executed by the party charged therewith. This Agreement supercedes all prior employment agreements, letters, understandings and arrangements between Executive and Employer pertaining to the terms of the employment and/or separation from employment of Executive by Employer, including without limitation, the employment agreement which was executed by Employer and Executive on September 13, 2001. Executive acknowledges he has not relied on any other oral or written representations or agreements of any kind other than as expressly set forth in this Agreement.

9.5 Waiver . A waiver by either of the parties of any of the terms or conditions of this Agreement, or of any breach hereof, shall not be deemed a waiver of such terms and conditions for the future or of any other term or condition hereof, or of any subsequent breach hereof.

9.6 Enforcement . Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the generality of the foregoing sentence (i) if any of the covenants contained in Section 7 hereof are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the covenant or covenants or the enforceability in any other jurisdiction, which shall be given full effect, without regard to the invalid portions or the unenforceability in such other jurisdictions and (ii) if any of the covenants contained in Section 7 hereof are held to be unenforceable because of the scope or duration thereof, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and, in its reduced form, said provision shall be enforceable; provided, however, that such court's determination shall not affect the enforceability of Section 7 hereof in any other jurisdiction.

9.7 Mandatory Deductions . Employer shall have the right to deduct and withhold from Executive's compensation the amounts required to be deducted and withheld by Employer pursuant to any present or future law. In the event that Employer makes any payments or incurs any charges for Executive's account or Executive incurs any personal charges with Employer, Employer shall have the right and Executive hereby authorizes Employer to recoup such payments or charges by deducting and withholding the aggregate amount from any compensation otherwise payable to Executive.

9.8 Governing Law . This Agreement shall be construed and interpreted under the laws of the State of Vermont applicable to contracts to be performed entirely therein. The parties consent to the exclusive jurisdiction and venue of the state and federal courts located in Burlington, Vermont for the resolution of any claim or action arising out of or in connection with this Agreement. The parties agree not to contest venue as appropriate in Burlington, Vermont, and waive right to trial by jury.

9.9 Captions . The captions in this Agreement are not part of the provisions hereof, are merely for the purpose of references and shall have no force or effect for any purpose whatsoever, including the construction of the provisions of this Agreement.

9.10 Review . Executive has carefully reviewed the provisions of this Agreement in its entirety with counsel of his choice. Executive fully understands this Agreement, the nature of his obligations under this Agreement, and signs this Agreement voluntarily.

9.11 Attorneys' Fees . In the event either party is required to enforce its rights pursuant to this Agreement, the prevailing party, in addition to all other remedies, shall be entitled to its reasonable costs of suit, including reasonable attorneys' fees and costs.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement as of the date first above written.

GREEN MOUNTAIN COFFEE, INC.

By: s/ Robert P. Stiller________________
Robert P. Stiller

President and Chief Executive Officer

s/ Robert D. Britt _____________________
Robert D. Britt

December 11, 2002

Mr. Robert P. Stiller
Green Mountain Coffee Roasters, Inc.
33 Coffee Lane
Waterbury, VT 05676

Re: **Resignation and Agreement**

Dear Bob:

I hereby resign, effective as of December 13, 2002, as an officer of Green Mountain Coffee, Inc. and Green Mountain Coffee Roasters, Inc. (the "Company"). Furthermore, I hereby resign, effective as of January 17, 2003, as an employee of the Company.

You have indicated to me that upon my execution and delivery on January 17, 2003 of the Release and Severance Agreement (the "Agreement"), in the form attached hereto as Exhibit A, you will execute and deliver the Agreement on behalf of the Company.

For the period commencing on January 20, 2003 and ending on December 31, 2003, the Company hereby retains me as a consultant on tasks to be mutually agreed in good faith for a minimum of thirty (30) days at the rate of $3,500 per day plus reasonable out-of-pocket expenses. The Company shall pay consulting fees to me in the amount of $26,250 per quarter on each of January 20, 2003, April 1, 2003, July, 1, 2003 and October 1, 2003. If the Company utilizes my service for more than 7.5 days, plus up to 3 unused days carried over from prior periods, in any of the periods beginning on such dates and ending on the next payment date or December 31, 2003, as applicable, the Company shall pay the consulting fees for such days promptly after the end of such period. The Company shall allow me to keep the laptop computer that I am using and, during the term of our consulting arrangement, shall provide me with a Company phone extension, voice mail and email.

The Company agrees to continue to discuss in good faith a proposed K-cup distribution venture; provided, however, neither party shall be obligated to enter into a definitive agreement. The attached documents summarize a general framework we have discussed relative to this venture.

The Company will provide me with a copy of any proposed public announcement of my resignation prior to its release and will provide me a reasonable opportunity to comment on such announcement.

Please confirm that my understanding is correct by signing and returning to me the enclosed copy of this letter.

Very truly yours,

s/ Kevin G. McBride

Kevin G. McBride

ACKNOWLEDGED AND AGREED
GREEN MOUNTAIN COFFEE ROASTERS, INC.

By:_ s/ Robert P. Stiller __________________

Robert P. Stiller, President and CEO

Exhibit A

Revisions

RELEASE AND SEVERANCE AGREEMENT

1. **Parties** . The parties to this Release and Severance Agreement ("Agreement") are as follows:

A. Kevin G. McBride, an individual residing in Boca Raton, Florida (the "Executive"), and
B. Green Mountain Coffee Roasters, Inc., a Vermont corporation, including its affiliates, parent, subsidiaries, officers, directors, employees and agents, past and present, acting in any capacity whatsoever (collectively, the "Company").

2. **Executive's Employment and Representation** .

- (a) Executive was employed by the Company as Vice-President of Sales and Marketing , beginning in 1999 and ending with Executive's resignation effective as of December 13, 2002. Executive was employed by the Company as an employee beginning on December 14, 2002 and ending with Executive's resignation effective as of January 17, 2003. At the time of Executive's resignation on January 17, 2003, Executive's base salary was $175,000 per annum.

- (b) Executive represents and warrants that, as of the date of Executive's execution of this Agreement, Executive has not filed any complaints, charges, or claims for relief against the Company with any local, state, or federal court or administrative agency, any funding or grant-making authority, any other local, state or federal governmental agency or authority, or with any other person or entity.

3. **Settlement** . For good consideration, the value and sufficiency of which is acknowledged, subject to and in consideration of each and all of the provisions of this Agreement, the parties agree fully and finally to settle any and all claims of Executive related to or arising out of Executive's employment and termination of employment from the Company. The parties understand and agree that this Agreement is a settlement agreement and release of claims and does not constitute an admission of liability or wrongdoing on the part of the Company.

4. **Severance Benefits** .

- (a) The Company will pay Executive a severance benefit of $43,750 (three months' base salary) payable in installments as nearly equal as possible on the Company's customary payroll dates, subject to appropriate deductions for withholding and benefits as required by law (the "Severance Benefit").

- (b) The first payment of Severance Benefit will be made on the first regular payroll date after the seventh day following execution of this Agreement, provided Executive has not revoked this Agreement.

- (c) For a period of one (1) year after the date of this Agreement, the Company shall continue to cover Executive under its health, hospital dental or other medical plan to the same extent and in the same manner, and subject to the same requirements as to contributions by Executive, as applicable generally to executive officers of the Company.

5. **General and Special Release** .

- (a) In consideration of the promises of this Agreement, Executive (including anyone claiming by or through Executive) shall and hereby does forever relieve, release and discharge the Company, its successors, heirs, assigns, attorneys, agents, executors, administrators, accountants, insurers, and each of them in any and all capacities, past or present, from any and all claims, debts, liabilities, demands, obligations, liens, promises, acts, agreements, costs, and expenses (including, but not limited to, attorneys' fees), damages, actions and causes of action, of whatever kind or nature, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed including, but not limited to, any claims based on, arising out of, related to or connected with Executive' employment with the Company and/or the termination of Executive's employment with the Company. Said claims include, but are not limited to: (1) employment discrimination, including without limitation claims available under those federal, state and local laws and regulations prohibiting employment discrimination based on age, sex, national origin, race, color, religion, handicap, veteran status, family or family medical leave claims, including without limitation claims of sex discrimination and/or sexual harassment and retaliation under Title VII (42 U.S.C., 2000 *et. seq* .) and under 42 U.S.C. Section 1981 and Section 1983, age discrimination under the Age Discrimination in Employment Act (29 U.S.C, Sections 621-634) as amended, and claims under the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section 1001, *et. seq* .; and (2) disputed wages; and (3) wrongful discharge and/or breach of any alleged employment contract, handbook, policy, guideline or other contract ; and (4) based on any tort, such as invasion of privacy, defamation, fraud and infliction of emotional distress (collectively the "claims"), from the beginning of the world to the date of Executive's execution of this Agreement.

- (b) Executive agrees not to bring any legal action against the Company for any claims waived and released under this Agreement. In the event of a breach of this covenant not to sue, Executive agrees to return immediately to the Company all sums received pursuant to the terms of this Agreement and to forfeit any Severance Benefit payments and rights pursuant to Section 4 (c) above remaining outstanding under this Agreement

6. **Non-Disparagement** . Executive agrees that, as of the date of execution of this Agreement, Executive will not disparage the Company or any officer or director of the Company or any other agents or employees of the Company. The Company agrees that, as of the date of execution of this Agreement, the Company shall not, and will cause its executive officers and directors not to, disparage Executive. Nothing contained in this Section shall prohibit Executive and the Company's executive officers and directors from discussing the Company's business and other subjects of mutual concern with each other.

7. **Non-Solicit** . For a period of three (3) months following execution of this Agreement, Executive will not, whether for Executive's own account or on behalf of any other third party, intentionally (a) solicit, endeavor to entice or induce any employee of the Company to terminate his employment with the Company or accept employment with anyone else or (b) solicit, endeavor to entice or induce any vendor, supplier or customer of the Company to reduce or terminate its business with the Company or interfere in a similar manner with the business of the Company.

8. **Competition Prohibited** . For a period of three months following execution of this Agreement, Executive will not, without the prior written consent of the Company's Board of Directors in each instance (which approval may be withheld in the sole discretion of the Company's Board of Directors), own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, stockholder, consultant or otherwise, any third party that competes with the Company in researching, developing, manufacturing, marketing or selling coffee or coffee-brewing equipment or any other product in development or sold by the Company in the year prior to termination of Executive's employment. Notwithstanding the foregoing, Executive may enter into discussions with Keurig, Inc. regarding a K-Cup distribution venture with the Company. Those discussions with Keurig, Inc. shall not constitute a violation of this Agreement.. Nothing in this Agreement shall prohibit Executive from acquiring or holding any issue of stock or securities of any third party that has any securities registered under Section 12 of the Exchange Act, listed on a national securities exchange or quoted on the automated quotation system of the National Association of Securities Dealers, Inc. so long as (i) Executive is not deemed to be an "affiliate" of such entity as such term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act of 1933, as amended, and (ii) Executive and members of his immediate family do not own or hold more than five (5)% of any voting securities of any such entity.

9. **Confidentiality** .

- (a) **Terms and Conditions of this Agreement** . Executive and the Company agree to keep strictly confidential and not to disclose, or cause others to disclose, the terms and conditions of this Agreement and the fact of this Agreement, except that Executive may disclose such information to Executive's immediate family, counsel and accountants, and as per the requirements of any government taxing authority, securities regulatory agency or court order. In the event of any action seeking disclosure, Executive agrees to notify the Company (through its attorneys of record Merritt & Merritt via certified mail) of any such request and to provide to Merritt & Merritt a copy of such request within three days of service or receipt. Executive will cooperate, at no compensation but no expense to Executive, in any action taken by the Company to prevent such disclosure. Both parties may disclose to prospective employers who request information concerning Executive's employment with the Company: a) the dates of Executive's employment; b) Executive's salary and benefits; c) Executive's job title and a functional description of Executive's duties. In addition, the Company may disclose to future employers of Executive that Executive is bound by the confidentiality, non-compete and non-solicit obligations of this Agreement.

- (b) **Confidential Information** . Executive acknowledges that by reason of employment with the Company, Executive acquired Confidential Information concerning the business and operations of the Company, unauthorized use or disclosure of which would cause the Company irreparable harm. Executive agrees that Executive will not directly or indirectly at any time disclose any such Confidential Information nor use Confidential Information for any reason other than for the benefit of the Company. For purposes of this Agreement , "Confidential Information " includes any non-public information concerning the Company's business and operations, including proposed products and facilities, system methods and designs, production design and implementation, computer codes and procedures, research and development, trade secrets and other intellectual property, systems, patent applications, procedures, manuals, confidential reports, personnel records, product price lists, customer lists, vendor or supplier lists, financial information, and business plans, prospects or opportunities. Confidential Information does not include any information that: (a) was in the public domain at the time of disclosure or later entered the public domain through no act or omission of Executive, (b) was lawfully disclosed to Executive by a third party having the right to disclose it, (c) can be documented as already known by Executive at the time of disclosure, or (d) is required to be disclosed for compliance with applicable law, government regulation or court process, provided that Executive gives Merritt & Merritt advance notice prior to disclosure and cooperates, without additional compensation but at no expense to Executive, with the Company in any action seeking protection of the information. Information will not be deemed to be in the public domain merely because it includes information that falls within an area of general knowledge available to the public or Executive or can be reconstructed in hindsight from a combination of information from multiple sources that are available to the public or Executive, if none of those sources actually teaches or suggests the entire combination, together with its meaning and importance.

10. **Successors and Assigns** . This Agreement shall inure to the benefit of and shall be binding upon the successors, assigns, heirs, beneficiaries, executors and representatives of the parties.

11. **Integration** . This Agreement together with a letter agreement of even date to which this Agreement is an Exhibit constitute a single, integrated written contract expressing the entire agreement of the parties with regard to its subject matter. No covenants, agreements, representations, or warranties of any kind whatsoever, whether express or implied in law or fact have been made by any party except as specifically set forth in this Agreement and such letter agreement. All prior and contemporaneous discussions and negotiations have been and are merged and integrated into, and are superseded, by this Agreement and such letter agreement.

12. **Severability** . In the event that a provision of this Agreement should be held to be void, voidable, unlawful or, for any reason unenforceable, the remaining provisions will remain in full force and effect.

13. **Non-Assignment of Claims** . The parties represent that each has full power to enter into this Agreement and that each has not assigned, encumbered or in any manner transferred all or any portion of the claims covered by this Agreement.

14. **Modifications** . No modification, amendment, or waiver of any of the provisions contained in this Agreement, or any future representations, promise, or condition in connection with the subject matter of this Agreement, shall be binding upon any party unless made in writing and signed by both parties.

15. **Attorneys' Fees** . In the event that the Company is compelled to enforce this Agreement or defend any claim brought by Executive, the Company will be entitled to recover all attorneys' fees and costs of suit incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom.

16. **Independent Counsel** . Executive represents that Executive fully understands his right to review all aspects of this Agreement with an attorney of Executive's choice, that Executive has consulted with an attorney and has reviewed the terms and conditions of this Release and Severance Agreement with Executive's attorney, that Executive has carefully read and fully understands all the provisions of this Release and Severance Agreement and that Executive is freely, knowingly and voluntarily entering into this Release and Severance Agreement.

17. **Choice of Law and Jurisdiction; Specific Performance.** This Agreement is made in and shall be governed by and construed in accordance with the laws of the State of Vermont, the federal and state courts of which will have exclusive jurisdiction for the resolution of any claim or controversy arising out of or in connection with this Agreement. The parties expressly consent to personal jurisdiction of the federal and state courts of Vermont for such purpose. The parties waive right to trial by jury. The parties agree that Executive's obligations pursuant to Sections 5,6, 7, 8 and 9 are special and unique. In addition to all other remedies, the Company will be entitled to preliminary and permanent injunctive relief to prevent a breach or threatened breach of any such obligations by Executive without further proof of irreparable harm or posting a bond.

18. **Age Discrimination in Employment Act Waiver** . Executive is advised that Executive has twenty-one (21) days to consider this

Agreement and that Executive should consult with an attorney prior to execution. For a period of seven (7) days after executing this Agreement, Executive may revoke it by delivering written notice of revocation via certified mail to counsel for the Company, H. Kenneth Merritt, Jr., Esq., Merritt & Merritt, 30 Main Street, Suite 330, P.O. Box 5839, Burlington, Vermont 05402-5839. The release by Executive will not become effective or enforceable until said seven (7) day period has expired. The revocation of this Agreement by Executive pursuant to this paragraph shall render this Agreement null and void, and neither party shall have any obligation hereunder.

EXECUTIVE: PLEASE READ CAREFULLY. YOU ARE GIVING UP ANY LEGAL CLAIMS THAT YOU HAVE AGAINST THE COMPANY BY SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF , the parties have approved and executed this Agreement on the dates specified below.

Dated: January 17, 2003

KEVIN G. MCBRIDE

____
Kevin G. McBride

Dated: January 17, 2003

GREEN MOUNTAIN COFFEE ROASTERS, INC.

By: ___________________________________
Robert P. Stiller, President and CEO

List of Subsidiaries of the Company

Green Mountain Coffee Roasters, Inc.

Green Mountain Coffee Roasters Franchising Corporation

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 dated June 20, 1997, October 5, 1998, May 20, 1999 and September 25, 2001 of Green Mountain Coffee, Inc. of our report dated November 15, 2002 appearing on page F-2 of Green Mountain Coffee Inc.'s Annual Report on Form 10-K for the year ended September 28, 2002. We also consent to the application of such report to the Financial Statement Schedule for the three years ended September 28, 2002 listed under Item 15 of this Form 10-K when such schedule is read in conjunction with the financial statements referred to in our report.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

December 23, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director and officer whose signature appears below constitutes and appoints Robert P. Stiller and William G. Hogan, and each of them, his or her true and lawful attorney-in-fact and agent, with full power to each of them to act without the other and with full power of substitution and re-substitution, to sign, individually, in the name on behalf of the undersigned in any and all capacities stated below, the Annual Report on Form 10-K of Green Mountain Coffee, Inc. for the fiscal year ended September 28, 2002 and any and all amendments thereto, which amendments may make such changes in such Form 10-K as any such attorney-in-fact may deem appropriate, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do all such other acts and execute all such other documents as they, or any of them, may deem necessary or desirable in connection with the foregoing, as fully as the undersigned might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Robert P. Stiller	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 12, 2002
/s/ William G. Hogan	Chief Financial Officer, Vice President and Director (Principal Financial and Accounting Officer)	December 12, 2002
/s/ Kathryn S. Brooks	Vice President and Director	December 12, 2002
/s/ Barbara Carlini	Director	December 12, 2002
/s/ William D. Davis	Director	December 12, 2002
/s/ Jules A. del Vecchio	Director	December 12, 2002
/s/ Hinda Miller	Director	December 12, 2002
/s/ David E. Moran	Director	December 12, 2002

EXHIBIT 99.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee, Inc. (the "Company") on Form 10-K for the period ending September 28, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert P. Stiller, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: December 20, 2002 s/ Robert P. Stiller

Robert P. Stiller
Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee, Inc. (the "Company") on Form 10-K for the period ending September 28, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William G. Hogan, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: December 20, 2002 /s/ William G. Hogan
William G. Hogan
Chief Financial Officer

End of Filing

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