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GREEN MOUNTAIN COFFEE ROASTERS INC

FORM 10-K
(Annual Report)

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Symbol	GMCR
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Industry	Food Processing
Sector	Consumer/Non-Cyclical
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 29, 2012

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

Delaware	**03-0339228**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

33 Coffee Lane, Waterbury, Vermont 05676
(Address of principal executive offices) (zip code)

(802) 244-5621
(Registrants' telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value per share	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **NONE**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☐

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

The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on March 24, 2012 was approximately $7,413,000,000 based upon the closing price of such stock on March 23, 2012.

As of November 20, 2012, 148,451,513 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for the 2012 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

GREEN MOUNTAIN COFFEE ROASTERS, INC,

Annual Report on Form 10-K

For Fiscal Year Ended September 29, 2012

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PART I

Item 1. Business

Overview

Green Mountain Coffee Roasters, Inc. (together with its subsidiaries, "GMCR", the "Company", "we", "our", or "us") is a leader in the specialty coffee and coffeemaker businesses. We sell Keurig ® Single Cup Brewers and roast high-quality Arabica bean coffees including single-origin, Fair Trade Certified ™, certified organic, flavored, limited edition and proprietary blends offered in K-Cup ® and Vue ® packs ("single serve packs") for use with our Keurig ® Single Cup Brewers. We also offer traditional whole bean and ground coffee in other package types including bags, fractional packages and cans. In addition, we produce and sell other specialty beverages in single serve packs including hot apple cider, hot and iced teas, iced coffees, iced fruit brews, hot cocoa and other dairy-based beverages. As of the end of our 2012 fiscal year, we had the top four best-selling coffeemakers by dollar volume in the United States according to the NPD Group for consumer market research data. Under the Keurig ® brand name, we offer a variety of brewers for commercial use in the Away From Home ("AFH") channel and for home use in the At Home ("AH") channel that are differentiated by features and size.

Over the last several years the primary growth in the coffee industry has come from the specialty coffee category, including demand for single cup specialty coffee which can now be enjoyed in a wide variety of locations, including home, office, professional locations, restaurants, hospitality and specialty coffee shops. This growth has been driven by the emergence of specialty coffee shops throughout North America, the general level of consumer knowledge of, and appreciation for, coffee quality and variety, and the wider availability of high-quality coffee. The Company has been benefiting from this overall industry trend in addition to what we believe to be our carefully developed and distinctive advantages over our competitors.

Our growth strategy involves developing and managing marketing programs to drive Keurig ® Single Cup Brewer adoption in North American households and offices in order to generate ongoing demand for single serve packs. As part of this strategy, we work to sell our AH brewers at attractive price points which are approximately at cost, or sometimes at a loss when factoring in the incremental costs related to sales, in order to drive the sales of profitable single serve packs. In addition, we have license agreements with Breville Group Limited, Jarden Inc., producer of Mr. Coffee ® brand coffeemakers, and Conair, Inc., producer of Cuisinart ® brand coffeemakers, under which each produce, market and sell coffeemakers co-branded with Keurig ®.

In recent years, our growth has been driven predominantly by the growth and adoption of Keurig ® Single Cup Brewing systems which includes both the K-Cup ® and, since fiscal 2012, the Vue ® brewers and related single serve packs. In fiscal 2012, approximately 90% of our consolidated net sales were attributed to the combination of single serve packs and Keurig ® Single Cup Brewers and related accessories.

We regularly conduct consumer surveys to better understand our consumers' preferences and behaviors. In Company surveys, we have learned that consumers prefer our Keurig ® Single Cup Brewing systems for three main reasons (which we see as our competitive advantages):

1 Quality—expectations of the quality of coffee consumers drink has increased over the last several years and, we believe, with the Keurig ® system, consumers can be certain they will get a high-quality, consistently produced beverage every time.

2 Convenience—the Keurig ® system prepares beverages generally in less than a minute at the touch of a button with no mess, no fuss.

3 Choice—with many single serve beverage brands across multiple beverage categories, GMCR offers more than 225 individual varieties, allowing consumers to enjoy and explore a wide range of beverages. In addition to a variety of brands of coffee and tea, we also produce and sell hot apple cider, iced teas, iced coffees, iced fruit brews, hot cocoa and other dairy-based beverages, in single serve packs.

We believe it's the combination of these attributes that make the Keurig ® Single Cup Brewing systems so appealing to so many consumers.

We are focused on building our brands and profitably growing our business. We believe we can continue to grow sales by increasing consumer awareness in existing regions, expanding into new geographic regions, expanding consumer choice of coffee, tea and other beverages in our existing brewing systems or through the introduction of new brewing platforms, expanding sales in adjacent beverage industry segments and/or selectively pursuing other synergistic opportunities.

In fiscal 2011, we acquired LJVH Holdings Inc. ("Van Houtte") owner of Van Houtte ® and other brands, based in Montreal, Canada. This acquisition is providing growth opportunities for us, particularly in Canada, and we believe is further advancing our objective of becoming a leader in the competitive coffee and coffeemaker business in North America.

We have continued to expand consumer choice in the Keurig ® Single Cup Brewing system by entering into a number of business relationships which enable us to offer other strong national and regional coffee brands such as Folgers ® and Millstone ® (owned by The J.M. Smucker Company), Dunkin' Brands, Inc., Starbucks ® coffee and Tazo ® tea, Eight O'Clock ® coffee, Tetley ® tea, Good Earth ® tea, and Snapple ® teas in single serve packs for use with Keurig ® Single Cup Brewers. We also continue to examine opportunities for business relationships with other strong national/regional brands including the potential for adding premium store-brand or co-branded single serve packs to create additional single serve products that will help augment consumer demand for the Keurig ® Single Cup Brewing systems. For example, in November 2012, the Company announced it is the exclusive manufacturer of Costco Kirkland Signature ™ brand K-Cup ® packs for the Keurig ® Single Cup Brewing system. We believe these new product offerings fuel excitement for current Keurig owners and users, raise system awareness, attract new consumers to the system, and promote expanded use of the system. These relationships were established with careful consideration of potential economics and with the expectation that these relationships will lead to increased Keurig ® Single Cup Brewing system awareness and household adoption through the participating brand's advertising and merchandising activities.

We are also focused on continued innovation both in single serve brewing systems and other single serve beverages. Some of our recent initiatives include:

- An expansion of our Keurig ® Single Cup Brewing system to include Keurig ® Vue ® brewers and related Vue ® packs;
- A launch of the Keurig ® Rivo ™ Cappuccino and Latte System and Rivo ™ pack espresso blend varieties (collectively the "Rivo ™ System"), in partnership with Luigi Lavazza S.p.A. ("Lavazza"); and
- An introduction of our Wellness Brewed ™ collection which includes coffees, teas and Vitamin Burst ™ fruit brew beverages that contain added ingredients like antioxidant vitamins.

Management is focused on executing on the above stated growth strategy to drive Keurig ® Single Cup Brewer adoption in North American households and offices in order to generate ongoing demand for single serve packs.

Net Sales

For fiscal 2012, approximately 90% of our consolidated net sales was attributed to the combination of single serve packs and Keurig ® Single Cup Brewers and related accessories. The Company's net sales of $3,859.2 million were comprised of $2,708.9 million single serve pack net sales, $759.8 million Keurig ® Single Cup Brewer and accessories net sales and $390.5 million of other product sales such as whole bean and ground coffee selections in bags and fractional packages as well as cups, lids and ancillary items to our customers in North America.

We rely on a single order fulfillment entity, M.Block & Sons, Inc. ("MBlock"), to process the majority of orders for our AH single cup business sold through to retailers, department stores and mass merchants in the United States. Our sales processed through MBlock represented 38%, 38% and 43% of the Company's consolidated net sales for fiscal years 2012, 2011 and 2010, respectively. We are also reliant on certain customers for a substantial portion of our revenues, whether the related orders are processed through fulfillment entities or by us. Sales to customers that represented more than 10% of our sales included Wal-Mart Stores, Inc. and affiliates ("Wal-Mart"), representing approximately 12% of our consolidated net sales for fiscal 2012, and Bed Bath & Beyond, Inc., representing approximately 11% and 14% of our consolidated net sales for fiscal years 2011 and 2010, respectively.

Corporate Information

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

Corporate Objective and Philosophy

Our Company's objective is to be a leader in the coffee business by selling high-quality, premium coffee and innovative coffee brewing systems that consistently provide a superior coffee experience. Increasingly, we are also developing expertise in providing other brewing system beverage choices.

Our purpose statement: "We create the ultimate beverage experience in every life we touch from tree to cup—transforming the way the world understands business" guides our approach to business.

Our business mission: "A brewer on every counter and a beverage for every occasion" drives our strategy.

Essential elements of our philosophy and approach include:

High-Quality Coffee. We are passionate about roasting great coffees and are committed to ensuring that our customers have an outstanding coffee experience. We buy some of the highest-quality Arabica beans available from the world's coffee-producing regions and use a roasting process designed to optimize each coffee's individual taste and aroma.

Innovative Single Cup Brewing Technology. Our proprietary single cup brewing technology, embodied in our portfolio of premium quality machines and single serve packs, provides the benefits of convenience, variety and great taste consistently from cup to cup. The Keurig ® Single Cup Brewing systems include the following elements:

- Proprietary K-Cup ® and Vue ® packs, which contain precisely portioned amounts of gourmet coffees, cocoa, teas and other products/offerings in a sealed, low oxygen environment to help maintain freshness.
- Premium quality brewers that precisely control the amount, temperature and pressure of water to provide a cup of coffee, tea, cocoa or other beverage of a consistent high quality when used with K-Cup ® and Vue ® packs.
- Convenience of one-touch brewing which allows consumers to enjoy the perfect cup in less than a minute at the touch of a button.

While the brewing system has been designed and optimized for producing consistent, high-quality coffee, we have expanded our beverage selection to include other beverages such as hot apple cider, hot cocoa, brew-over-ice teas, coffees and fruit brews. We believe these new beverages may help to increase brewer usage occasions and enhance consumer satisfaction. New beverage development work has also generated proprietary know how and/or patent applications. The Company holds U.S. and international patents covering a range of its portion pack and brewing technology innovations, with additional patent applications in process. We believe our constant innovation and focus on quality, all directed to delivering a consistently superior cup of coffee, are what differentiates us among competitors in the single cup coffeemaker industry.

Production and Distribution. The Company seeks to create customers for life. We believe that coffee and other beverages are convenience purchases, and we utilize our multi-channel distribution network of distributor, retail and consumer direct options to make our products widely and easily available to consumers.

We operate production and distribution facilities in the U.S. in Castroville, California; Knoxville, Tennessee; Essex, Waterbury and Williston, Vermont; Windsor, Virginia; and Sumner, Washington and in Canada, primarily in Montreal, Quebec and Toronto, Ontario. Our production facilities include specially designed proprietary high-speed packaging lines that manufacture K-Cup ® and Vue ® packs using freshly-roasted and ground coffee as well as tea, cocoa and other products.

Socially Responsible Business Practices. We view corporate social responsibility as integral to our success. We have a long history of supporting sustainability initiatives, particularly where we have business interest or expertise. We strive to manage and minimize negative impacts throughout the value chain where possible through actions that enable responsible procurement, a healthy working environment, resource efficiency, and product responsibility. We allocate a portion of our profits towards philanthropic efforts. Our funded projects center around partnering with supply-chain communities, supporting local communities, protecting the environment, building demand for sustainable products, working together for change and fostering workplace excellence. We typically contribute direct or indirect financial support, donations of products or equipment, and employee volunteer efforts to these projects. To learn more about our programs visit www.BrewingABetterWorld.com.

In September 2011, Brewing A Better World Foundation (the "Foundation") was established to augment the Company's charitable activities. Certain officers of the Company are also officers and directors of the Foundation. The Foundation supports charitable organizations, both in the United States and abroad, that are dedicated to causes in which the Company and the Foundation have a particular philanthropic interest, including supporting charitable organizations that provide assistance to the communities in which the Company and its suppliers operate. In furtherance of its charitable purposes, the Foundation may provide disaster relief in the form of monetary aid through grants to other charitable organizations engaged in disaster relief activities. To help accomplish its goals, the Foundation draws upon contributions made by the Company.

Corporate Culture. Our Code of Ethics is an important part of our culture and is applicable to all of our employees and our Board of Directors. The Code of Ethics is posted on our corporate website. In addition, we believe the Company has a highly inclusive and collaborative work environment that encourages employees' individual growth and personal awareness through a culture of personal accountability and continuous learning.

The Products

Coffee

The Company offers high-quality Arabica bean coffee including single-origin, Fair Trade Certified ™, Rain Forest Alliance Certified ™, organic, flavored, limited edition and proprietary blends. We carefully select our coffee beans and appropriately roast the coffees to optimize their taste and flavor differences. Our coffee comes in a variety of package types including single serve packs, bagged (whole bean and ground), fractional packages (for food service and office environments) and cans.

Tea

The Company does not own a tea brand, but has licensing agreements with Celestial Seasonings, Inc. (Celestial Seasonings ® branded teas and Perfect Iced Tea ®), Good Earth ® Corporation and Tetley ® USA, Inc. (Good Earth ® and Tetley ® branded teas), R. C. Bigelow, Inc. (Bigelow ® branded teas), Snapple Beverage Corp. (Snapple ® branded teas) Starbucks Corporation (Tazo ®) and Associated British Foods plc (Twinings of London ®) for manufacturing, distribution, and sale of single serve packs.

Other Beverages

In addition to coffee and tea, we also produce and sell lemonade and hot apple cider under our Green Mountain Naturals ™ brand, iced fruit brews under our Vitamin Burst ™ brand, cocoa and other dairy-based beverages under our Café Escapes ™ brand, and cocoa under the Swiss Miss ® brand in single serve packs.

Beverage Brands

The brands include:

Arbuckle ®
Barista Prima Coffeehouse ®
Bigelow ®
Brûlerie Mont-Royal ®
Brûlerie St. Denis ®
Café Adagio Coffee ®
Café Escapes ®
Caribou Coffee ®
Celestial Seasonings ®
Coffee People ®
Diedrich Coffee ®
Distinction ®
Donut House Collection ®
Dunkin' Donuts ™
Eight O'Clock ®
Emeril's ®
Folgers Gourmet Selections ®
Gloria Jean's ®
Green Mountain Coffee ®
Green Mountain Naturals ®
Kahlua ®
Kirkland Signature ™
Lavazza ®
McQuarry ™
Millstone ®
Newman's Own ® Organics
Orient Express ®
Promenade ™
Red Carpet ™
revv ®
Starbucks ®
Swiss Miss ®
Tazo ®
The Original Donut Shop ™
Timothy's ®
TK ™
Tully's ®
Twinings of London ®
Van Houtte ®
Vitamin Burst ®
Wolfgang Puck ®

The Bigelow ®, Caribou Coffee ®, Celestial Seasonings ®, Dunkin' Donuts ™, Eight O'Clock ®, Emeril's ®, Folgers Gourmet Selections ®, Gloria Jean's ®, Kahlua ®, Kirkland Signature ™, Lavazza ®, Millstone ®, Newman's Own ® Organics, Starbucks ®, Swiss Miss ®, Tazo ®, Twinings of London ®, and Wolfgang Puck ® brands are available through relationships we have with their respective brand owners. Each of these brands is property of their respective owners and is used with permission.

Brewers

We are a leader in sales of coffeemakers in North America. As of the end of our 2012 fiscal year, we had the top four best-selling coffeemakers by dollar volume in the United States according to the NPD Group for consumer market research data in the United States. Under the Keurig ® brand name, we offer a variety of commercial and home use brewers for the AFH and AH channels that is differentiated by features and size which include the Keurig ® K-Cup ®, Keurig ® Vue ®, and co-branded Keurig ® Rivo ™ Cappuccino and Latte System.

In addition, we have license agreements under which licensees manufacture, market and sell coffeemakers co-branded with "Keurig ® Brewed". Licensees include Breville Group Limited selling a "Breville ®" branded brewer; Jarden, Inc. selling a "Mr. Coffee ®" branded brewer, and Conair, Inc. selling a "Cuisinart ®" branded brewer.

Accessories

We offer a variety of accessories for the Keurig ® Single Cup Brewing systems including K-Cup ® and Vue ® pack storage racks and baskets and brewer carrying cases. We also sell other coffee-related equipment and accessories, gift assortments, hand-crafted items from coffee-source countries and Vermont, and gourmet food items covering a wide range of price points.

Office Coffee Services

In Canada, we operate an office coffee services business which provides office coffee products including a variety of coffee brands and blends, brewing and beverage equipment and beverage supplies directly to offices. We previously operated a coffee services business in the U.S. which was sold on October 3, 2011 (See Note 3, *Acquisitions and Divestitures*, of the Notes to Consolidated Financial Statements included in this Annual Report).

Marketing and Distribution

To support customer growth in North America, we utilize separate selling organizations and different selling strategies for each of our multiple channels of distribution. We manage our operations under three business units, the Specialty Coffee business unit ("SCBU"), the Keurig business unit ("KBU"), and the Canadian business unit ("CBU"). All of our business units operate in the AH, AFH and consumer direct channels.

In the AH channel, we target gourmet coffee drinkers who wish to enjoy the speed and convenience of single cup brewing but who do not want to compromise on taste. We promote our AH brewing system which includes single serve packs manufactured by SCBU and CBU through primarily upscale specialty and department store retailers, but also through select wholesale clubs and mass merchants, and on our website. We also use national television advertising to promote our AH brewing system. We rely on MBlock to process a significant amount of our sales orders for our AH single cup business with retailers in the United States. In addition, we rely on a single order fulfillment entity to process the majority of sales orders for our AH single cup business with retailers in Canada. In both the U.S. and Canada, our personnel work closely with key retail channel entities on product plans, placement and initiatives, marketing programs and other product sales support. SCBU and CBU market and sell single serve packs for use in the Keurig ® Single Cup Brewing systems, as well as other package formats, such as bagged coffee, to supermarkets, grocery stores and certain wholesale clubs for use in AH applications.

In the AFH channel, KBU primarily targets the office coffee channel with a broad offering of single cup brewing systems that significantly upgrade the quality of the coffee served in the workplace. KBU promotes its AFH brewing system through a selective, but non-exclusive, network of AFH distributors in the U.S. and Canada ranging in size from local to national. Keurig ® Single Cup Brewing systems are also available at retail in office superstore locations and directly to small offices through our e-commerce platform. SCBU and, to a lesser degree, CBU market and sell their coffee and beverage products to the office coffee channel through those AFH distributors. CBU operates a coffee service and distribution network primarily in Canada. The office coffee services business provides office coffee products including a variety of coffee brands and blends, brewing and beverage equipment and beverage supplies directly to offices. Beyond the office coffee channel, the Company is active in marketing and selling its products to other AFH channels such as foodservice, convenience, hospitality and business oriented e-commerce.

We also operate websites and social media pages that present our brands to consumers, and also serve as e-commerce platforms. This channel provides the opportunity for us to develop relationships with our consumers via electronic communication.

Under the Keurig ® brand name, we offer a variety of commercial and home use brewers for the AH, AFH and consumer direct channels that are differentiated by features and size. We offer a large assortment of single serve packs available for the brewing systems including brands which we own and other strong national/regional brands that will help augment consumer demand for the Keurig ® Single Cup Brewing systems. In order to expand the demographic reach of the Keurig ® Single Cup Brewing systems, we expanded distribution to multiple channels, entered into license agreements with Breville Group Limited, Jarden Inc., producer of Mr. Coffee ® brand coffeemakers, and Conair, Inc., producer of Cuisinart ® brand coffeemakers, under which each produce, market and sell coffeemakers co-branded with Keurig ®, and recently implemented a tiered brand and pricing structure to provide options for brand conscious and/or value-oriented consumers.

Competition

We compete primarily in the coffee and coffeemaker markets.

The specialty coffee segment is highly competitive and fragmented. We operate in highly competitive geographic and product markets. Our coffee, tea and other beverages compete directly against specialty coffees and teas sold through supermarkets, club stores, mass merchants, specialty retailers and food service accounts, and indirectly against all other coffees on the market. Within the specialty coffee segment, we compete against larger companies that possess greater marketing and operating resources than our Company. Competitors include large national and international companies and numerous local and regional companies, some of which have greater resources. We compete for limited retailer shelf space for our products, and some of those retailers also market competitive products under their own private labels. We also compete with the conventional products of larger companies. Products are distinguished based on quality, price, brand recognition and loyalty, innovation, promotions, nutritional value, and further by our ability to identify and satisfy consumer preferences.

Similar to specialty coffee, the coffeemaker industry is also highly competitive, and we compete against larger companies that possess greater marketing and operating resources than our Company. The primary methods of competition are essentially the same as in specialty coffee: price, quality, product performance and brand differentiation. In coffeemakers, we compete against all sellers of coffeemakers; including companies that produce traditional pot-brewed coffeemakers and other single serve manufacturers, which include, but are not limited to the following:

- Bunn-O-Matic Corporation
- Mars, Inc. (through its FLAVIA ® unit)
- Conair, Inc.
- Hamilton Beach / Proctor-Silex, Inc.
- Jarden Corporation
- Nestle S.A. (including its Dolce-Gusto ® brewing system)
- Phillips Electronics NV (including its SENSEO ® brewing system)
- Robert Bosch GmbH (including its TASSIMO ® brewing system)
- Stanley Black & Decker, Inc.
- Starbucks Corporation (including its Verismo ® brewing system)
- Whirlpool Corporation

We expect competition in specialty coffee and coffeemakers to remain intense, both within our existing customer base and as we expand into new regions. In both specialty coffee and coffeemakers, we compete primarily by providing a wide variety of high-quality coffee including flavored, Fair Trade Certified ™ and organic coffees as well as other beverages, single cup coffeemakers, easy access to our products, superior customer service and a comprehensive approach to customer relationship management. We believe that our ability to provide a convenient and broad network of outlets from which to purchase our products is an important factor in our ability to compete. Through our multi-channel distribution network of wholesale, retail and consumer direct operations we believe we differentiate ourselves from many of our larger competitors, who specialize in only one primary channel of distribution. We believe our constant innovation and focus on quality, all directed to delivering a consistently superior cup of coffee, differentiate us among competitors in the single cup coffeemaker industry. We also seek to differentiate ourselves through our socially and environmentally responsible business practices. While we believe we currently compete favorably with respect to all of these factors, there can be no assurance that we will be able to compete successfully in the future.

Green Coffee Cost and Supply

We purchased approximately 207 million pounds of coffee in fiscal 2012. We utilize a combination of outside brokers and direct relationships with farms, estates, cooperatives and cooperative groups for our supply of green coffee. Outside brokers provide the largest supply of our green coffee.

In fiscal 2012, approximately 25% of our purchases were from Fair Trade certified sources. This provides an assurance that farmer groups are receiving the Fair Trade minimum price and an additional premium for certified organic products. In fiscal 2012, approximately 8% of our purchases were from Rain Forest Alliance Certified ™ farms. Rainforest Alliance Certified ™ coffee is grown using methods that help promote and preserve biodiversity, conserve scarce natural resources, and help farmers build sustainable lives. In fiscal 2012, approximately 47% of our purchases were from farm-identified sources, which mean that we know the farms, estates or co-ops, and can develop a relationship directly with the farmers. We believe that our “farm-identified” strategy helps us secure long-term supplies of high-quality coffee.

The supply and price of coffee are subject to high volatility. Supply and price of all coffee grades are affected by multiple factors, such as weather, pest damage, politics, competitive pressures, the relative value of the United States currency and economics in the producing countries.

Intellectual Property

The Company owns a number of United States trademarks and service marks that have been registered with the United States Patent and Trademark Office. We anticipate maintaining our trademark and service mark registrations with the United States Patent and Trademark Office. We also own other trademarks and service marks for which we have applications for U.S. registration. The Company has further registered or applied for registration of certain of its trademarks and service marks in the United Kingdom, the European Union, Canada, Japan, the People's Republic of China, South Korea, Taiwan and other foreign countries. The Company has licenses to use other marks, all subject to the terms of the agreements under which such licenses are granted. We believe, as we continue to build brands most notably today in North America, our trademarks are valuable assets. Although the laws vary by jurisdiction, trademarks generally are valid as long as they are in use and/or their registrations are properly maintained and have not been found to have become generic. Trademark registrations generally can be renewed indefinitely as long as the trademarks are in use. We believe that our core brands are covered by trademark registrations in most countries of the world in which we do business. We have an active program designed to ensure that our marks and other intellectual property rights are registered, renewed, protected and maintained. In addition, the Company owns numerous copyrights, registered and unregistered, and proprietary trade secrets, technology, know-how processes and other intellectual property rights that are not registered.

The Company holds U.S. patents and international patents related to our Keurig ® brewing and single serve pack technology. Of these, a majority is utility patents and the remainder is design patents. We view these patents as very valuable but do not view any single patent as critical to the Company's success. We own patents that cover significant aspects of our products and, in the United States, certain patents associated with our current generation K-Cup ® packs presently used in Keurig ® K-Cup ® Brewers expired in September 2012. We have additional pending patent applications associated with certain elements of current K-Cup ® pack technology which, if ultimately issued as patents, would extend coverage over all or some portion of K-Cup ® packs, and have expiration dates extending to 2023. Certain elements of the current generation of Vue ® packs are covered by patents which expire in 2021 and by others that are still pending. These pending applications may not issue, or if they issue, they may not be enforceable, may be challenged, invalidated or circumvented by others. Further, we continue to invest in further innovation in portion packs and brewing technology that will enhance our current patents or that may lead to new patents and take steps they believe are appropriate to protect all such innovation.

We have diligently protected intellectual property through the use of domestic and international patents and trademark registrations and through enforcing our rights in litigation. We regularly monitor commercial activity in the countries in which we operate to guard against potential infringement.

Seasonality

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

Employees

As of September 29, 2012, the Company had approximately 5,800 full-time, part-time, and seasonal employees. We believe our relationship with employees to be good. We have no collective bargaining contracts in the United States. We supplement our workforce with temporary workers from time to time, especially in the first quarter of each fiscal year to service increased customer and consumer demand during the peak November-December holiday season and January-March post-holiday season.

Forward-Looking Information

Certain statements contained in this report are "forward-looking statements." These statements may be identified by the use of words such as "may", "will", "expect", "believe", and "plan." These statements may relate to: the expected impact of raw material costs and our pricing actions on our results of operations and gross margins, expected trends in net sales and earnings performance and other financial measures, the expected productivity and working capital improvements, the ability to maximize or successfully assert our intellectual property rights, the success of introducing and producing new product offerings, ability to attract and retain senior management, the impact of foreign exchange fluctuations, the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing, the expected results of operations of businesses acquired by us, our ability to issue debt or additional equity securities, our expectations regarding purchasing shares of our common stock under the existing authorizations, and the impact of the inquiry initiated by the SEC and any related litigation or additional governmental inquiry or enforcement proceedings.

These and other forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by external factors such as damage to our reputation or brand name, business interruptions due to natural disasters or similar unexpected events, actions of competitors, customer relationships and financial condition, the ability to achieve expected cost savings and margin improvements, the successful acquisition and integration of new businesses, fluctuations in the cost and availability of raw and packaging materials, changes in regulatory requirements, and global economic conditions generally which would include the availability of financing, interest, inflation rates and investment return on retirement plan assets, as well as foreign currency fluctuations, risks associated with our information technology systems, the threat of data breaches or cyber-attacks, and other risks described herein under Part I, Item 1A. "Risk Factors".

Actual results could differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Available information

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

Our Company maintains a website at *www.GMCR.com* . Our filings with the SEC, including without limitation, our Annual Reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, are available through a link maintained on our website under the heading "Investor Relations—Financial Information." Our website also includes our Corporate Governance Principles, Code of Ethics and charters of the Audit and Finance, Compensation and Organizational Development, and Governance, Nominating Governance and Corporate Social Responsibility Committees of our Board of Directors. Information contained on our website is not incorporated by reference into this report.

Item 1A. Risk Factors

Risks Related to the Company's Business

The Company's business, its future performance and forward-looking statements are affected by general industry and marketplace conditions and growth rates, general U.S. and non-U.S. economic and political conditions (including the global economy), competition, interest rate and currency exchange rate fluctuations and other events. The following items are representative, but not all inclusive, of the risks, uncertainties and other conditions that may impact our business, future performance and the forward-looking statements that we make in this report or that we may make in the future.

Risks Related to Our Operations

Our financial performance is highly dependent upon the sales of Keurig ® Single Cup Brewing systems and single serve packs.

A significant percentage of our total revenue is attributable to sales of single serve packs for use with our Keurig ® Single Cup Brewing systems (which include all those branded "Keurig ®" and "Vue ®"). In fiscal 2012, total consolidated net sales of single serve packs and Keurig ® Single Cup Brewers and related accessories represented approximately 90% of consolidated net sales. Continued acceptance of Keurig ® Single Cup Brewing systems and sales of single serve packs to an increasing installed base of brewers are significant factors in our growth plans. Any substantial or sustained decline in the sale of Keurig ® Single Cup Brewing systems or sales of our single serve packs would materially adversely affect us. Keurig ® Single Cup Brewing systems compete against all sellers of coffeemakers, which includes companies that produce traditional pot-brewed coffeemakers and those that produce single serve brewing systems. These companies include Bunn-O-Matic Corporation, Mars, Inc. (through its FLAVIA ® unit), Conair, Inc., Hamilton Beach / Proctor-Silex, Inc., Jarden Corporation, Nestle S.A. (including the Nescafe Dolce-Gusto beverage system), Phillips Electronics NV (including the SENSEO ® brewing system, in cooperation with Sara Lee Corporation) and Robert Bosch GmbH (including the TASSIMO ® beverage system, in cooperation with Kraft Foods, Inc.), Stanley Black & Decker, Inc., Starbucks Corporation (including its Verismo ® brewing system), Whirlpool Corporation, as well as a number of additional brewing systems and brands. If we do not succeed in effectively differentiating ourselves from our competitors, based on technology, quality of products, desired brands or otherwise, or our competitors adopt our strategies, then our competitive position may be weakened and our sales of Keurig ® Single Cup Brewing systems and single serve packs, and accordingly, our profitability may be materially adversely affected.

Competition in specialty coffee is intense and could affect our sales and profitability.

The specialty coffee business is highly fragmented and competition in specialty coffee is increasingly intense as relatively low barriers to entry encourage new competitors to enter the marketplace. Many of our current and potential competitors have substantially greater financial, marketing and operating resources and access to capital than we do. Our primary competitors in specialty coffee include Dunkin' Brands Inc., Peet's Coffee & Tea, Starbucks Corporation and Tim Hortons Inc. There are also numerous smaller, regional brands or private label brands that also compete in the specialty coffee business. In addition, we compete indirectly against all other coffee brands in the marketplace. A number of nationwide coffee marketers, such as The J.M. Smucker Company, Kraft Foods, Inc., and Nestlé USA are distributing premium coffee brands. These premium coffee brands may serve as substitutes for our coffee. Our products are subject to significant price competition within the coffee industry. From time to time, we need to reduce the prices for some of our products to respond to competitive and customer pressures or to maintain our position in the marketplace. Such pressures also may restrict our ability to increase prices in response to raw material and other cost increases. Any reduction in prices as a result of competitive pressures, or any failure to increase prices when raw material costs increase, would harm profit margins and, if our sales volumes fail to grow sufficiently to offset any reduction in margins, our results of operations will suffer.

We compete not only with other widely advertised branded products, but also with private label or generic products that generally are sold at lower prices. In September 2012, two patents associated with our K-Cup ® packs expired, and certain third parties have launched competing products. Currently, we anticipate that the total of all unlicensed portion packs will represent roughly 5% to 15% of the system demand; starting at the lower end of the range in 2013 and potentially increasing toward the top end of the range as we look two to three years out.

If we do not succeed in effectively differentiating our Brewing systems from our competitors, our competitive position may be weakened. Consumers' willingness to purchase our products will depend upon our ability to maintain consumer confidence that our products are of a higher quality and provide greater convenience and choice. Consumers' willingness to purchase our products also depends on our ability to meet or to exceed their expectations that our brewing systems work as designed, as well as provide greater value than less expensive alternatives. If the difference in quality between our brands and private label products narrows, or if there is a perception of such a narrowing, consumers may choose not to buy our products and/or we may reduce prices and accordingly our profitability, may be materially adversely affected.

Damage to our reputation or brand name, loss of brand relevance, increase in private label use by customers or consumers could negatively impact us.

We believe that maintaining and developing our brands is important to our success and the importance of brand recognition may increase to the extent that competitors offer products similar to ours. A serious breach of our quality assurance or quality control procedures, deterioration of our quality image, failure to adequately protect the relevance of our brands, or increased development of private label brands may lead to customers or consumers purchasing other brands or private label brands that may or may not be manufactured by us, could have a material negative impact on our financial condition and results of operations. Also, negative publicity about these concerns, whether or not valid, may discourage consumers from buying our products or cause disruptions in production or distribution of our products and adversely affect our reputation or brands.

An increase in competitive coffee and tea products may put pressure on our operating margins and profitability.

As we discuss above in " *Competition in specialty coffee is intense and could affect our sales and profitability* " the beverage industry is intensely competitive. Competition in our product categories is based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing and promotional activity, and the ability to identify and satisfy consumer preferences. We have implemented a tiered brand and pricing structure to provide options for brand conscious and/or value-oriented consumers. The effects of this pricing structure, coupled with the emergence of new, unlicensed portion packs, may adversely impact profit margins of our K-Cup ® packs. From time to time, we may need to reduce the prices for some of our products to respond to competitive and customer pressures, which may also adversely affect our profitability. Such pressures also may impair our ability to take appropriate remedial action to address commodity and other cost increases.

In addition, our customers, such as supermarkets, warehouse clubs, and retailers have had to become more price-competitive in recent years and increased pressure on competition could continue throughout the United States and other major markets. Such increased competition among our customers could present a challenge to margin growth and profitability in that it has produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, resisting price increases, demanding lower pricing, increased promotional programs and specifically tailored products, and shifting shelf space currently used for our products to private label products. These factors and others could have an adverse impact on our future sales growth and profitability.

Our intellectual property may not be valid, enforceable, or commercially valuable.

While we make efforts to develop and protect our intellectual property, the validity, enforceability and commercial value of our intellectual property rights may be reduced or eliminated by the discovery of prior inventions by third parties, the discovery of similar marks previously used by third parties, the successful independent development by third parties of the same or similar confidential or proprietary innovations or changes in the supply or distribution chains that render our rights obsolete.

Many factors bear upon the exclusive ownership and exploitation right to intellectual properties, including, without limitation, prior rights of third parties and non-use and/or non-enforcement by us and/or related entities. Our ability to compete effectively depends, in part, on our ability to maintain the proprietary nature of our technologies, which include the ability to obtain, protect and enforce patents and other trade secrets and know how relating to our technology. We own patents that cover significant aspects of our products and certain patents of ours have expired or will expire in the near future. In the United States, certain patents associated with our K-Cup ® packs presently used in our Keurig ® K-Cup ® Brewers expired in September 2012. We have additional pending patent applications associated with certain elements of current K-Cup ® pack technology which, if ultimately issued as patents, would extend coverage over all or some portion of K-Cup ® packs, and have expiration dates extending to 2023. Certain elements of current generation of Vue ® packs are covered by patents which expire in 2021 and by others that are still pending. These pending applications may not result in the issuance of patents, or if they do result in the issuance of patents, these patents may not be enforceable, may be challenged, invalidated or circumvented by others. In addition, we continue to invest in further innovation in portion packs, brewing technology, and beverage development that will enhance our current patents or that may lead to new patents and take steps we believe are appropriate to protect all such innovation. We are prepared to protect our patents vigorously; however, there can be no assurance that we will prevail in any intellectual property infringement litigation we institute to protect our intellectual property rights given the complex technical issues and inherent uncertainties in litigation. Even if we prevail in litigation, such litigation could result in substantial costs and diversion of resources and could materially adversely affect us. In addition, the validity, enforceability and value of our intellectual property depends in part on the continued maintenance and prosecution of such rights through applications, maintenance documents, and other filings, and rights may be lost through the intentional or inadvertent failure to make such necessary filings. Similarly, third parties may allege that our activities violate their intellectual properties. To the extent we are required to defend our self against such a claim, no assurance can be given that we will prevail. Such defense could be costly and materially adversely affect our business and prospects.

Failure to maximize or to successfully assert our intellectual property rights could impact our competitiveness. We rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. We cannot be sure that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own or, where appropriate, license intellectual property rights necessary to support new product introductions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which our products are or may be sold do not protect our intellectual property rights to the same extent as the laws of the United States. Our failure to perfect or successfully assert our intellectual property rights could make us less competitive and could have an adverse effect on our business, operating results and financial condition.

While we vigorously defend our intellectual property rights, in the United States, two of the patents associated with certain elements of our current generation K-Cup ® packs expired in fiscal 2012. To the extent any manufacturers are successful in marketing and selling their own portion packs, this could have an adverse impact on our business and financial results. Certain third parties have launched competing portion packs.

Product recalls, product liability, sales returns and warranty expense may adversely impact us.

We are subject to regulation by a variety of regulatory authorities, including the Consumer Product Safety Commission and the Food and Drug Administration. In the event our manufacturer of single cup brewers does not adhere to product safety requirements or our quality control standards, we might not identify a deficiency before the brewers ship to our customers. The failure of our third party manufacturer to produce merchandise that adheres to our quality control standards could damage our reputation and brands and lead to customer litigation against us. If we recall products failing to meet our quality standards, we may be required to remove merchandise or issue voluntary or mandatory recalls of those products at a substantial cost to us that may not be recoverable from the manufacturer. We also may incur various expenses related to product recalls, including product warranty costs, sales returns, and product liability costs, which may have a material adverse impact on our results of operations. While we maintain a reserve for our product warranty costs based on certain estimates and our knowledge of current events and actions, our actual warranty costs may exceed our reserve, resulting in a need to increase our accruals for warranty costs in the future.

As we have grown, we have added significantly to our product testing, quality control infrastructure and overall quality processes. Nevertheless, as we continue to innovate, and our products become more complex, both in design and componentry, product performance may tend to modulate, causing warranty rates to possibly fluctuate going forward, so that they may be higher or lower than we are currently experiencing and for which we are currently providing in our warranty reserve.

In addition, selling products for human consumption such as coffee, tea, hot cocoa and hot apple cider involves a number of risks. We may need to recall some of our products if they become contaminated, are tampered with or are mislabeled. A widespread product recall could result in adverse publicity, damage to our reputation, and a loss of consumer confidence in our products, which could have a material adverse effect on our business results and the value of our brands. We also may incur significant liability if our products or operations violate applicable laws or regulations, or in the event our products cause injury, illness or death. In addition, we could be the target of claims that our advertising is false or deceptive under U.S. federal and state laws as well as foreign laws, including consumer protection statutes of some states. Even if a product liability or consumer fraud claim is unsuccessful or without merit, the negative publicity surrounding such assertions regarding our products could adversely affect our reputation and brand image.

Our financial results and achievement of our growth strategy is dependent on our continued innovation and the successful development and launch of new products and product extensions.

Achievement of our growth strategy is dependent, among other things, on our ability to extend the product offerings of our existing brands and introduce innovative new products. Although we devote significant focus to the development of new products, we may not be successful in developing innovative new products or our new products may not be commercially successful. Our financial results and our ability to maintain or improve our competitive position will depend on our ability to effectively gauge the direction of our key marketplaces and successfully identify, develop, manufacture, market and sell new or improved products in these changing marketplaces. In addition, our introduction of new products or product extensions may generate litigation or other legal proceedings against us by competitors claiming infringement of their intellectual property or other rights, which could negatively impact our results of operations.

Failure to maintain profitable, strategic relationships with well-recognized coffee brands such as Caribou, Dunkin' Brands, Folgers, Newman's Own Organics and Starbucks could adversely impact our future growth and business.

We have entered into strategic relationships for the manufacturing, distribution, and sale of K-Cup ® and Vue ® pack products with well-regarded coffee companies such as Caribou, Dunkin' Brands, The J.M. Smucker Company, Newman's Own ® Organics, and Starbucks. These relationships are multi-year agreements and a failure to maintain or grow relationships such as these could adversely impact our overall future profitability and growth, awareness of our Keurig ® Single Cup Brewing systems, and our ability to attract new consumers to the Keurig ® Single Cup Brewing systems. We continue to examine opportunities for business relationships with other strong national/regional brands to create additional single serve products that will help augment consumer demand for the Keurig ® Single Cup Brewing systems. Although many companies or licensees are willing to enter into such manufacturing and distribution and/or licensing agreements, there can be no assurance that such agreements will be negotiated on terms favorable to us, or at all.

We also have license agreements with leading tea brands such as Celestial Seasonings (Celestial Seasonings, Inc.), Bigelow (R.C. Bigelow, Inc.), Tazo (Starbucks), and Twinings (Associated British Foods plc) for their line of teas. The failure to maintain these agreements could adversely impact our future growth.

As most of our single cup brewers are manufactured by a single manufacturer in China, a significant disruption in the operation of this manufacturer, political unrest or significant economic uncertainty in China could materially adversely affect us.

During 2013, the vast majority of all our brewers will be manufactured by a single company at three locations in China. We have begun to expand our brewer manufacturing footprint, having recently qualified manufacturers in Malaysia and China, however brewer development activities underway at these additional manufacturers will not begin to significantly impact the distribution of brewer supply until 2014. Any disruption in production or inability of this manufacturer to produce adequate quantities to meet our needs, whether as a result of a natural disaster or other causes, could significantly impair our ability to meet demand for our single cup brewers. Furthermore, as our current primary manufacturer is located in China, this exposes us to the possibility of product supply disruption and increased costs in the event of changes in the policies of the Chinese government, political unrest or unstable economic conditions in China, or developments in the U.S. that are adverse to trade, including enactment of protectionist legislation. Any of these matters could materially adversely affect us.

Our long-term purchase commitments for certain strategic raw materials critical for the manufacture of portion packs could impair our ability to be flexible in our business without penalty.

In order to ensure a continuous supply of high quality raw materials some of our inventory purchase obligations include long-term purchase commitments for certain strategic raw materials critical for the manufacture of portion packs. The timing of these may not always coincide with the period in which we need the supplies to fulfill customer demand. This could lead to higher and more variable inventory levels and/or higher raw material costs.

Our business is highly dependent on sales of specialty coffee, including sales of our Keurig ® Single Cup Brewers and related single serve packs , and if demand for specialty coffee or our product offerings decrease, our business would suffer.

The majority of our revenues are dependent on demand for specialty coffee. In addition, demand for specialty coffee is a driving factor in the sales of our Keurig ® Single Cup Brewers and related single serve packs. Demand for specialty coffee and demand for our Keurig ® Single Cup Brewers and related single serve packs is affected by many factors, including:

- Changes in consumer tastes and preferences;
- Changes in consumer lifestyles;
- National, regional and local economic conditions;
- Perceptions or concerns about the environmental impact of our products;
- Demographic trends; and
- Perceived or actual health benefits or risks.

Because we are highly dependent on consumer demand for specialty coffee, including sales of our Keurig ® Single Cup Brewers and related single serve packs, a shift in consumer preferences away from specialty coffee or our product offerings would harm our business more than if we had more diversified product offerings. If customer demand for our specialty coffee, sales of our Keurig ® Single Cup Brewers or related single serve packs decreases, our sales would decrease and we would be materially adversely affected.

Our failure to accurately forecast market and customer demand for our products, or to quickly adjust to forecast changes, could adversely affect our business and financial results.

There is inherent risk in forecasting demand due to the uncertainties involved in assessing the current level of maturity of the single serve market. We set target levels for the manufacture of brewers and single serve packs and for the purchase of green coffee in advance of customer orders based upon our forecasts of market and customer demand.

If our forecasts exceed demand, we could experience excess inventory in the short-term, excess manufacturing capacity in the long-term, and/or price decreases, all of which could impact our financial performance. Alternatively, if demand exceeds our forecasts significantly beyond our current manufacturing capacity, then we may not be able to satisfy customer demand, which could result in a loss of market share if our competitors are able to meet customer demands. A failure to accurately predict the level of demand for our products could adversely affect our net revenues and net income.

We depend on the expertise of leadership personnel. If we do not have a sufficient pipeline of talent needed to execute the strategy and grow the business, our operations could suffer.

The success of our business is dependent to a large degree on our ability to attract and retain executive talent. We have identified succession planning and talent development as strategic priorities and implemented a process to ensure early identification, assignment management, and development of talent. We have also made external sourcing a strategic priority to identity talent in the marketplace. Nevertheless, if we do not have a sufficient pipeline of talent needed to execute the strategy, grow the business in the future and meet business objectives, our operations could suffer.

Laws and regulations could adversely affect our business.

Our beverage products are extensively regulated in the United States and Canada. Our products are subject to numerous food safety and other laws and regulations relating to the sourcing, manufacturing, storing, marketing, advertising, and distributing of these products. Other laws and regulations relate to labeling requirements, the environment, relations with distributors and retailers, employment, health and safety and trade practices. Enforcement of existing laws and regulations, changes in legal requirements, and/or evolving interpretations of existing regulatory requirements, may result in increased compliance costs and create other obligations, financial or otherwise, that could adversely affect our business, financial condition or operating results.

Our indebtedness could adversely affect our financial health and may limit our ability to use debt to fund future capital needs.

At September 29, 2012, we had total indebtedness of $531.5 million including capital lease and financing obligations of $57.9 million. During the third quarter of fiscal 2011, we entered into an Amended and Restated Credit Agreement (“Restated Credit Agreement”) under which we maintain senior secured credit facilities consisting of (i) an $800.0 million U.S. revolving credit facility, (ii) a $200.0 million alternative currency revolving credit facility, and (iii) a term loan A facility. Future disruptions in the financial markets, such as have been recently experienced, could affect our ability to obtain new or additional debt financing or to refinance our existing indebtedness on favorable terms (or at all), and have other adverse effects on us. A description of our indebtedness is included in Item 7, Management’s Discussion and Analysis *of Financial Condition and Results of Operations,* under the subheading *Liquidity and Capital Resources,* included in this Annual Report.

Our indebtedness could adversely affect our business. Our debt obligations could:

- Increase our vulnerability to general adverse economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes;
- Impair our rights to our intellectual property, which have been pledged as collateral under our credit facility, upon the occurrence of a default;
- Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our competitors that may have less debt; and
- Limit, by the financial and other restrictive covenants in our debt agreements, our ability to borrow additional funds and have a material adverse effect on us if we fail to comply with the covenants in our debt agreements because such failure could result in an event of default which, if not cured or waived, could result in a substantial amount of our indebtedness becoming immediately due and payable.

A significant interruption in the operation of our roasting, manufacturing or distribution capabilities or disruption of our supply chain or delays in the start-up of new roasting, manufacturing and distribution facilities in fiscal 2013 could have an adverse effect on our business, financial condition and results of operations.

We currently roast our coffee in the United States (“U.S.”) in Vermont, Tennessee, Washington, and California and in Canada in Ontario and Quebec. We have added an additional U.S. manufacturing and production facility in Virginia in fiscal year 2012. We expect to be able to meet current and forecasted demand for the near term. However, if demand increases more than we currently forecast, we will need to either expand our current roasting capabilities internally or acquire additional roasting capacity and the failure to do so in a timely or cost effective manner could have a negative impact on our business. Significant interruption in the operation of our current facilities, whether as a result of a natural disaster or other causes, could significantly impair our ability to operate our business on a day-to-day basis.

In addition, we are the primary manufacturer of single serve packs sold for use with our single cup brewer systems. Any disruption to our manufacturing and distribution facilities could significantly impair our ability to operate our business.

Our ability to make, distribute and sell products is critical to our success. Damage or disruption to our manufacturing or distribution capabilities, or the manufacturing or distribution capabilities of our suppliers and contract manufacturers due to weather, natural disaster, fire or explosion, terrorism, pandemics or labor strikes at our facilities or theirs, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Our order processing and fulfillment systems may fail or limit user traffic, which could cause us to lose sales.

We are dependent on our ability to maintain our computer and telecommunications equipment in effective working order and to protect against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, growth of our customer base may strain or exceed the capacity of our systems and lead to degradations in performance or systems failure. We have experienced capacity constraints in the past that have resulted in decreased levels of customer service, such as increased customer call center wait times and delays in service to customers for limited periods of time. Substantial damage to our systems or a systems failure that causes interruptions for a number of days could adversely affect our business. Additionally, if we are unsuccessful in updating and expanding our order fulfillment infrastructure, our ability to grow may be constrained.

Our business is subject to online security risks, including security breaches.

Although we have not experienced to date any material security breaches, our businesses involve the storage and transmission of users’ proprietary information, and security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. An increasing number of companies have recently disclosed breaches of the security of their websites, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. A party that is able to circumvent our security measures could misappropriate our or our customers' proprietary information, cause interruption in our operations, damage our computers or those of our customers, or otherwise damage our reputation and business. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business.

Currently, a significant number of our customers authorize us to bill their credit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by us to protect transaction data being breached or compromised. Non-technical means, for example, actions by a suborned employee, can also result in a data breach.

Under payment card rules and our contracts with our card processors, if there is a breach of payment card information that we store, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. In addition, if we fail to follow payment card industry security standards, even if there is no compromise of customer information, we could incur significant fines or lose our ability to give customers the option of using payment cards to fund their payments or pay their fees. If we were unable to accept payment cards, our business would be seriously damaged.

Our servers are also vulnerable to computer viruses, physical or electronic break-ins, "denial-of-service" type attacks and similar disruptions that could, in certain instances, make all or portions of our websites unavailable for periods of time. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. These issues are likely to become more difficult as we expand the number of places where we operate. Security breaches, including any breach by us or by parties with which we have commercial relationships that result in the unauthorized release of our users' personal information, could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our insurance policies carry coverage limits, which may not be adequate to reimburse us for losses caused by security breaches.

Our web customers, as well as those of other prominent companies, may be targeted by parties using fraudulent "spoof" and "phishing" emails to misappropriate passwords, credit card numbers, or other personal information or to introduce viruses or other malware through "trojan horse" programs to our customers' computers. These emails may appear to be legitimate emails sent by our company, but they may direct recipients to fake websites operated by the sender of the email or request that the recipient send a password or other confidential information via email or download a program. Despite our efforts to mitigate "spoof" and "phishing" emails through product improvements and user education, "spoof" and "phishing" remain a serious problem that may damage our brands, discourage use of our websites, and increase our costs.

Our reliance on a single order fulfillment entity for our AH business exposes us to significant risk in the United States.

We rely on a single order fulfillment entity, M.Block & Sons, Inc. ("MBlock"), to process the majority of orders for our AH single cup business sold through to retailers, department stores and mass merchants in the United States. See Note 2, *Significant Accounting Policies—Revenue Recognition* of the Notes to Consolidated Financial Statements included in this Annual Report for the Company's revenue recognition policy on how we recognize revenue on orders processed through fulfillment entities.

We are subject to significant credit risk regarding the creditworthiness of MBlock and the creditworthiness of its customers. Receivables from MBlock were approximately 37% of our consolidated accounts receivable net balance at September 29, 2012.

The inability of MBlock to perform its obligations to us, whether due to deterioration in its financial condition, integrity or failure of its business systems or otherwise, could result in significant losses that could materially adversely affect us. If our relationship with MBlock is terminated, we can provide no assurance that we would be able to contract with another third party to provide these services to us in a timely manner or on favorable terms or that we would be able to internalize the related services effectively or in a timely manner.

We depend on certain retailers for a substantial portion of our revenues in any fiscal period and the loss of, or a significant shortfall in demand from, these retailers could significantly harm our results of operations.

During any given fiscal period, we are reliant on certain retailers for a substantial portion of our revenues. For example, our sales to Wal-Mart represented approximately 12% of our consolidated net sales for fiscal 2012. If Wal-Mart reduces its demand for our products or is unable to perform its financial obligations, whether due to deterioration in its financial condition, integrity, failure of its business systems, or otherwise, it could result in lower revenues or in significant losses that could materially adversely affect us.

In addition, because of the competitive environment facing retailers, many of our customers have increasingly sought to improve their profitability through increased promotional programs, pricing concessions, more favorable trade terms and increased emphasis on private label products. To the extent we provide concessions or trade terms that are favorable to customers, our margins would be reduced. Further, if we are unable to continue to offer terms that are acceptable to our significant customers or our customers determine that they need less inventory to service consumers, these customers could reduce purchases of our products or may increase purchases of products from our competitors, which would harm our sales and profitability.

Exposure to foreign currency risk and related hedging activities may result in significant losses and fluctuations to the periodic income statements.

Our foreign operations are primarily related to CBU, which is subject to risks, including, but not limited to, unique economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be materially adversely affected by changes in these or other factors. We also source our green coffee, certain production equipment, and components of our brewers and manufacturing of our brewers from countries outside the United States, which are subject to the same risks described for Canada above; however, most of our green coffee and brewer purchases are transacted in the United States dollar.

The majority of the transactions conducted by CBU are in the Canadian dollar. As a result, our revenues are adversely affected when the United States dollar strengthens against the Canadian dollar and are positively affected when the United States dollar weakens. Conversely, our expenses are positively affected when the United States dollar strengthens against the Canadian dollar and adversely affected when the United States dollar weakens. From time to time we engage in transactions involving various derivative instruments to mitigate our foreign currency rate exposures. More specifically, we hedge, on a net basis, the foreign currency exposure of a portion of our assets and liabilities that are denominated in Canadian dollars. In addition, we use foreign currency forward contracts to hedge certain capital purchase liabilities for production equipment with the objective of minimizing cost risk due to market fluctuations.

As we expand geographically, we expect to have increasing foreign currency risk associated with cash flows from foreign subsidiaries, foreign currency purchase commitments, and foreign currency intercompany debt. However, there can be no assurance that these contracts will effectively protect us from fluctuations in foreign currency exchange rates, and we may incur material losses from such hedging transactions.

Due to the seasonality of many of our products and other factors, our operating results are subject to quarterly fluctuations.

Historically, we have experienced increased sales of our Keurig ® Single Cup Brewing systems in our first fiscal quarter due to the holiday season. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year. The impact on sales volume and operating results due to the timing and extent of these factors can significantly impact our business. For these reasons, quarterly operating results should not be relied upon as indications of our future performance.

We face risks related to the ongoing SEC inquiry.

As previously disclosed, the staff of the SEC's Division of Enforcement informed us that it was conducting an informal inquiry into matters at the Company. At the direction of the Audit and Finance Committee of our Board of Directors, we are cooperating fully with the SEC staff's inquiry. At this point, we are unable to predict what, if any, consequences the SEC inquiry may have on us. However, the inquiry may continue to result in considerable legal expenses, divert management's attention from other business concerns and harm our business. If the SEC were to commence legal action, we could be required to pay significant penalties and/or other amounts and could become subject to injunctions, an administrative cease and desist order, and/or other equitable remedies. The resolution of the SEC inquiry could require the filing of additional restatements of our prior financial statements, and/or our restated financial statements, or require that we take other actions not presently contemplated. We can provide no assurances as to the outcome of the SEC inquiry.

Litigation pending against us could materially impact our business and results of operations.

We are currently party to various legal and other proceedings. In particular, numerous putative class actions and stockholder derivative actions have been filed against us in response to our disclosures in the Current Reports on Forms 8-K dated

September 28, 2010 and November 15, 2010. See Item 3, *Legal Proceedings* . These matters may involve substantial expense to us, which could have a material adverse impact on our financial position and our results of operations. We can provide no assurances as to the outcome of any litigation.

Risks Related to our Industry

Increases in the cost of high-quality Arabica coffee beans or cost of materials used to produce our brewers could reduce our gross margin and profit.

We utilize a combination of outside brokers and direct relationships with farms, estates, cooperatives and cooperative groups for our supply of green coffees. Outside brokers provide the largest supply of our green coffee. The supply and “C” price of coffee are subject to high volatility. Supply and price of all coffee grades can be affected by multiple factors, such as weather, pest damage, politics, competitive pressures and economics in the producing countries.

Cyclical swings in commodity markets are common and the most recent years have been especially volatile for the “C” price of coffee (the price per pound quoted by the Intercontinental Exchange). The “C” price of coffee reached a multi-year high during fiscal 2011. Despite declines in the “C” price in fiscal 2012, it is expected that coffee prices will remain volatile in the coming years. In addition to the “C” price, coffee of the quality sought by us tends to trade on a negotiated basis at a substantial premium or “differential” in addition to the “C” price, depending on the supply and demand at the time of purchase. These differentials also are subject to significant variations, due to many of the same factors as for other high quality Arabica coffee beans, and have generally been on the rise in recent years.

We generally try to pass on significant coffee price increases and decreases to our customers. There can be no assurance that we will be successful in passing on cost increases to customers without losses in sales volume or gross margin. Additionally, if higher green coffee costs can only be offset on a dollar-for-dollar basis by price increases, our gross margin percentage would be lower. Similarly, rapid and sharp decreases in the cost of green coffee could also force us to lower our prices to customers resulting in lower gross margins due to the need to sell products comprised of higher green coffee costs until we would be able to reduce our green coffee inventory and purchase commitments.

Significant fluctuations in the cost of other commodities, such as steel, petroleum and copper influence prices of plastic and other components used in manufacturing our coffee brewers. In fiscal 2012, approximately 96% of brewers sold were sold approximately at cost or sometimes at a loss when factoring in the incremental costs related to sales. With respect to the Keurig ® Single Cup AH Brewing system, we are continuing to pursue a model designed to penetrate the marketplace, a component of which is to sell brewers at affordable consumer price points in order to attract new customers into Keurig ® Single Cup Brewing system. Any rapid, sharp increases in our cost of manufacturing AH brewers would be unlikely to lead us to raise sales prices to offset such increased cost as our current strategy is to drive brewer adoption and not risk slowing down the rate of sales growth as compared to our competitors or before realizing cost reductions in our purchase commitments. There can be no assurance that we will able to sell our AH brewers approximately at cost when such fluctuation occur.

Increased demand for high-quality Arabica coffee beans coupled with possible supply shortages could jeopardize our ability to maintain or expand our business.

We roast over 55 different types of green coffee beans to produce our coffee selections. If one type of green coffee bean were to become unavailable or prohibitively expensive, we believe we could substitute another type of coffee of equal or better quality meeting a similar taste profile.

However, increased global demand for high-quality Arabica coffee, coupled with the possibility of a worldwide supply shortage, could have a material adverse impact on us. Worldwide or regional shortages of high-quality Arabica coffees can be caused by multiple factors, including but not limited to, weather, pest damage and economics in the producing countries. The political situation in many of the Arabica coffee growing regions, including certain countries in Africa and Central and South America, and in Indonesia can be unstable, and such instability could affect our ability to purchase coffee from those regions. If Arabica coffee beans from a region or a country become unavailable or prohibitively expensive, we could be forced to discontinue particular coffee types and blends or substitute coffee beans from other regions or countries in our blends. Frequent substitutions and changes in our coffee product lines could lead to cost increases, customer alienation and fluctuations in our gross margins.

While production of commercial grade coffee (i.e. Robusta coffee) is generally on the rise, many industry experts are concerned about the ability of specialty coffee production to keep pace with demand. Arabica coffee beans of the quality we purchase are not readily available on the commodity markets. We depend on our relationships with coffee brokers, exporters and growers for the supply of our primary raw material, high-quality Arabica coffee beans.

Adverse changes in global and domestic economic conditions or a worsening of the United States economy could materially adversely affect us.

Our sales and performance depend significantly on consumer confidence and discretionary spending, which are still under pressure from United States and global economic conditions. A worsening of the economic downturn and decrease in consumer spending may adversely impact our sales, ability to market our products, build customer loyalty, or otherwise implement our business strategy and further diversify the geographical concentration of our operations. For example, we are highly dependent on consumer demand for specialty coffee and a shift in consumer demand away from specialty coffee due to economic or other consumer preferences would harm our business. Keurig ® brewer sales may also decline as a result of the economic environment. We also have exposure to various financial institutions under coffee hedging arrangements and interest rate swaps, and the risk of counterparty default.

Increased scrutiny from government agencies could result in agency investigations or other actions.

Because of the increase in government regulation and oversight, coupled with the expansion of our business generally, and specifically with our expansion into other single serve beverages, we may come under increased scrutiny from different government agencies for various reasons. This increases the potential for agency investigations, whether formal or informal, which would have the result of diverting management attention and time and other resources. In addition, because of additional governmental regulation, we may need to incur additional compliance costs to ensure that all of our activities and products comply with all applicable regulations.

Our products must comply with government regulation.

We are subject to United States Department of Agriculture's, the Food and Drug Administration's , and the Canadian equivalents', regulations with respect to a national organic labeling and certification program. In addition, similar regulations and requirements exist in the other countries in which we may market and sell our products and our organic products are covered by these various regulations. Future developments in the regulation of labeling of organic foods could require us to further modify the labeling of our products, which could affect the sales of our products and thus harm our business.

Furthermore, new government laws and regulations may be introduced in the future that could result in additional compliance costs, seizures, confiscations, recalls or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on us.

We rely on independent certification for a number of our products. Loss of certification within our supply chain or as related to our manufacturing processes could harm our business.

We rely on independent certification, such as certifications of our products as "organic" or "Fair Trade," to differentiate some of our products from others, such as the Newman's Own ® Organics product line, Green Mountain Coffee ® Fair Traded Certified ™ coffee line and CBU's Fair Trade Organic Collection. In fiscal 2012, approximately 32% of our coffee purchases were from certified sources. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified. The loss of any independent certifications could adversely affect our marketplace position, which could harm our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our significant facilities are as follows:

Business Segment	Purpose	Location	Approximate Square Feet	Owned or Leased	Expiration of Lease (fiscal year)
SCBU	Warehouse and Distribution	California	62,000	Leased	2016
SCBU	Warehouse and Distribution	Vermont	180,000	Leased	2013 - 2015
SCBU	Warehouse and Distribution	Vermont	72,000	Owned	—
SCBU	Warehouse and Distribution	Washington	224,000	Leased	2014-2017
SCBU	Manufacturing	California	55,000	Leased	2016
SCBU	Manufacturing	Tennessee	334,000	Owned	—
SCBU	Manufacturing	Vermont	597,000	Leased	2013 - 2027
SCBU	Manufacturing	Vermont	25,000	Owned	—
SCBU	Manufacturing	Washington	198,000	Leased	2017
SCBU	Manufacturing	Virginia	330,000	Owned	—
SCBU	Research and Development	Vermont	55,000	Owned	—
SCBU	Administrative	Vermont	137,000	Leased	2013 - 2018
SCBU	Administrative	Vermont	72,000	Owned	—
KBU	Research and Development	Massachusetts	13,000	Leased	2013
KBU	Administrative	Massachusetts	133,000	Leased	2014 - 2016
CBU	Warehouse and Distribution	Alberta	51,000	Leased	2013 - 2018
CBU	Warehouse and Distribution	British Columbia	53,000	Leased	2013 - 2017
CBU	Warehouse and Distribution	Ontario	62,000	Leased	2013 - 2018
CBU	Warehouse and Distribution	Quebec	139,000	Owned	—
CBU	Warehouse and Distribution	Quebec	76,000	Leased	2014 - 2023
CBU	Manufacturing	Ontario	44,000	Leased	2014
CBU	Manufacturing	Quebec	59,000	Leased	2020
CBU	Manufacturing	Quebec	80,000	Owned	—
CBU	Administrative	Alberta	22,000	Leased	2013 - 2015
CBU	Administrative	British Columbia	7,000	Leased	2014 - 2015
CBU	Administrative	Ontario	31,000	Leased	2013 - 2022
CBU	Administrative	Quebec	29,000	Leased	2013 - 2023
CBU	Administrative	Quebec	50,000	Owned	—
Corporate	Administrative	Vermont	153,000	Leased	2017 - 2021

In addition to the locations listed above, the Company has inventory at various locations managed by third party warehouses and order fulfillment entities.

The land underneath our 72,000 square foot warehousing and distribution facility in Waterbury, Vermont is leased and the lease for the land expires in 2024.

We are continually evaluating our facilities to ensure they are adequate to meet our future needs. In June 2012, we entered into an arrangement to lease space of approximately 425,000 square feet in Burlington, Massachusetts which is currently under construction. The Burlington, Massachusetts facilities will be used by our KBU segment for administration and research and development and will consolidate the existing KBU facilities currently located in Massachusetts. The relocation is anticipated to take place in phases over the next several years. The lease expires in fiscal 2030.

Item 3. Legal Proceedings

On October 1, 2010, Keurig, Inc., a business unit of the Company (“Keurig”), filed suit against Sturm Foods, Inc. (“Sturm”) in the United States District Court for the District of Delaware (Civil Action No. 1:10-CV-00841-SLR) for patent and trademark infringement, false advertising, and other claims, related to Sturm's sale of "Grove Square" beverage cartridges that claim to be compatible with Keurig ® brewers. The suit alleges that the "Grove Square" cartridges contain instant rather than fresh-brewed coffee, improperly use the "Keurig" mark, and do not work safely or effectively in Keurig ® Single Cup Brewers, in addition to violating Keurig patents (U.S. Patent Nos. 7,165,488 and 6,606,938). Keurig seeks an injunction prohibiting Sturm from selling these cartridges, as well as money damages. On October 18, 2010, Keurig requested that the court issue a preliminarily injunction on the use of the "Keurig" mark and false advertising claims pending final resolution of the case. The court denied that request so those issues will be resolved in due course during the litigation.

On November 2, 2011, Keurig filed suit against JBR, INC., d/b/a Rogers Family Company ("Rogers") in the United States District Court for the District of Massachusetts (Civil Action No. 1:11-cv-11941-MBB) for patent infringement related to Rogers' sale of "San Francisco Bay" beverage cartridges for use with Keurig ® brewers. The suit alleges that the "San Francisco Bay" cartridges violate Keurig patents (U.S. Patent Nos. D502,362, 7,165,488 and 7,347,138). Keurig seeks an injunction prohibiting Rogers from selling these cartridges, as well as money damages.

On January 24, 2012, Teashot, LLC ("Teashot") filed suit against the Company, Keurig and Starbucks Corp. ("Starbucks") in the United States District Court for the District of Colorado (Civil Action No. 12-c v-00189-WJM-KMT) for patent infringement related to the making, using, importing, selling and/or offering for sale of K-Cup ® packs containing tea. The suit alleges that the Company, Keurig and Starbucks are violating a Teashot patent (U.S. Patent No. 5,895,672). Teashot seeks an injunction prohibiting the Company, Keurig and Starbucks from continued infringement, as well as money damages. Pursuant to its Manufacturing, Sales and Distribution Agreement with Starbucks, the Company is defending and indemnifying Starbucks in connection with the suit. On March 13, 2012, the Company and Keurig, for themselves and Starbucks, filed an answer with the court, generally denying all of Teashot's allegations. The Company and Keurig, for themselves and Starbucks, intend to vigorously defend this lawsuit. At this time, the Company is unable to predict the outcome of this lawsuit, the potential loss or range of loss, if any, associated with the resolution of this lawsuit or any potential effect it may have on the Company or its operations.

SEC Inquiry

As first disclosed on September 28, 2010, the staff of the SEC's Division of Enforcement continues to conduct an inquiry into matters at the Company. The Company is cooperating fully with the SEC staff's inquiry.

Stockholder Litigation

The Company and certain of its officers and directors are currently subject to three putative securities fraud class actions and three putative stockholder derivative actions. The first consolidated putative securities fraud class action was commenced following the Company's disclosure of the SEC inquiry on September 28, 2010. The second putative securities fraud class action was filed on November 29, 2011, and the third putative securities fraud class action was filed on May 7, 2012. A consolidated putative stockholder derivative action pending in the United States District Court for the District of Vermont consists of four separate putative stockholder derivative complaints, the first two were filed after the Company's disclosure of the SEC inquiry on September 28, 2010, while the others were filed on February 10, 2012 and March 2, 2012, respectively. In addition, a putative stockholder derivative action is pending in the Superior Court of the State of Vermont for Washington County that was commenced following the Company's disclosure of the SEC inquiry on September 28, 2010, and an additional putative stockholder derivative action was filed on July 23, 2012 in the United States District Court for the District of Vermont.

The first consolidated putative securities fraud class action, organized under the caption *Horowitz v. Green Mountain Coffee Roasters, Inc.* , Civ. No. 2:10-cv-00227, is pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. The underlying complaints in the consolidated action allege violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaints include counts for violation of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants, and for violation of Section 20(a) of the Exchange Act against the officer defendants. The plaintiffs seek to represent all purchasers of the Company's securities between July 28, 2010 and September 28, 2010 or September 29, 2010. The complaints seek class certification, compensatory damages, equitable and/or injunctive relief, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until November 29, 2010 to move the court to serve as lead plaintiff of the putative class. On December 20, 2010, the court appointed Jerzy Warchol, Robert M. Nichols, Jennifer M. Nichols, Marc Schmerler and Mike Shanley lead plaintiffs and approved their selection of Glancy Binkow & Goldberg LLP and Robbins Geller Rudman & Dowd LLP as co-lead counsel and the Law Office of Brian Hehir and Woodward & Kelley, PLLC as liaison counsel. On December 29, 2010 and January 3, 2011, two of the plaintiffs in the underlying actions in the consolidated proceedings, Russell Blank and Dan M. Horowitz, voluntarily dismissed their cases without prejudice. Pursuant to a stipulated motion granted by the court on

November 29, 2010, the lead plaintiffs filed a consolidated complaint on February 23, 2011, and defendants moved to dismiss that complaint on April 25, 2011. The court heard argument on the motions to dismiss on January 5, 2012. On January 27, 2012, the court issued an order granting defendants' motions and dismissing the consolidated complaint without prejudice and the lead plaintiffs filed a motion for leave to amend the complaint on March 27, 2012. On April 9, 2012, the parties filed a stipulated motion for filing of the amended complaint and to set a briefing schedule for defendants' motions to dismiss. In accordance with the stipulated briefing schedule, Plaintiffs filed their Second Consolidated Amended Complaint on April 30, 2012. Briefing on defendants' motions to dismiss was completed on August 29, 2012. The court has not yet set a date for oral argument.

The second putative securities fraud class action, captioned *Louisiana Municipal Police Employees' Retirement System v. Green Mountain Coffee Roasters, Inc., et al.*, Civ. No. 2:11-cv-00289, was filed on November 29, 2011 and is also pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. The plaintiff's complaint alleges violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaint includes counts for alleged violations of (1) Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act") against various of the Company, certain of its officers and directors, and the Company's underwriters in connection with a May 2011 secondary common stock offering; and (2) Section 10 (b) of the Exchange Act and Rule 10b-5 against the Company and the officer defendants and Section 20(a) of the Exchange Act against the officer defendants. The plaintiff seeks to represent all purchasers of the Company's securities between February 2, 2011 and November 9, 2011. The complaint seeks class certification, compensatory damages, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until January 30, 2012 to move the court to serve as lead plaintiff of the putative class. Competing applications were filed and the Court appointed Louisiana Municipal Police Employees' Retirement System, Sjunde AP-Fonden, Board of Trustees of the City of Fort Lauderdale General Employees' Retirements System, Employees' Retirements System of the Government of the Virgin Islands, and Public Employees' Retirement System of Mississippi as lead plaintiffs' counsel on April 27, 2012. On July 11, 2012, the parties filed a stipulated motion for filing of an amended complaint and to set a briefing schedule for defendants' motions to dismiss. On September 21, 2012, the court granted a request from the parties to amend the schedule for plaintiffs to file an amended complaint and for defendants to move to dismiss. Pursuant to the schedule approved by the court, plaintiffs filed their amended complaint on October 22, 2012, and defendants' motions to dismiss are due on January 18, 2013. The underwriter defendants have notified the Company of their intent to seek indemnification from the Company pursuant to their underwriting agreement dated May 5, 2011 in regard to the claims asserted in this action.

The third consolidated putative securities fraud class action, captioned *Fifield v. Green Mountain Coffee Roasters, Inc.* , Civ. No. 2:12-cv-00091, is pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. The complaint alleges violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaint includes counts for violation of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants, and for violation of Section 20(a) of the Exchange Act against the officer defendants. The plaintiff seeks to represent all purchasers of the Company's securities between February 2, 2012 and May 2, 2012. The complaint seeks class certification, compensatory damages, equitable and/or injunctive relief, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until July 6, 2012 to move the court to serve as lead plaintiff of the putative class. On July 31, 2012, the court appointed Kambiz Golesorkhi as lead plaintiff and approved his selection of Kahn Swick & Foti LLC as lead counsel. On August 14, 2012, the court granted the parties' stipulated motion for filing of an amended complaint and to set a briefing schedule for defendants' motions to dismiss. Pursuant to the schedule approved by the court, plaintiffs filed their amended complaint on October 23, 2012 and defendants' motions to dismiss are due on January 1, 2013.

The first putative stockholder derivative action, a consolidated action captioned *In re Green Mountain Coffee Roasters, Inc . Derivative Litigation* , Civ. No. 2:10-cv-00233, premised on the same allegations asserted in the putative securities class action complaints described above, is pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. On November 29, 2010, the federal court entered an order consolidating two actions and appointing the firms of Robbins Umeda LLP and Shuman Law Firm as co-lead plaintiffs' counsel. On February 23, 2011, the federal court approved a stipulation filed by the parties providing for a temporary stay of that action until the court rules on defendants' motions to dismiss the consolidated complaint in the putative securities fraud class action. On March 7, 2012, the federal court approved a further joint stipulation continuing the temporary stay until the court either denies a motion to dismiss the putative securities fraud class action or the putative securities fraud class action is dismissed with prejudice. On April 27, 2012, the federal court entered an order consolidating the stockholder derivative action captioned *Himmel v. Robert P. Stiller, et al.* , with two additional putative derivative actions *Musa Family Revocable Trust v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00029, and *Laborers Local 235 Benefit Funds v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00042. On November 14, 2012, the federal court entered an order consolidating an additional stockholder derivative action, captioned as *Henry Cargo v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00161, and granting plaintiffs leave to lift the stay for the limited purpose of filing a consolidated complaint.

The consolidated complaint is asserted nominally on behalf of the Company against certain of its officers and directors. The consolidated complaint asserts claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment, contribution, and indemnification and seeks compensatory damages, injunctive relief, restitution, disgorgement, attorney's fees, costs, and such other relief as the court should deem just and proper.

The second putative stockholder derivative action, *M. Elizabeth Dickinson v. Robert P. Stiller, et al.* , Civ. No. 818-11-10, is pending in the Superior Court of the State of Vermont for Washington County and is premised on the same allegations alleged in the first consolidated putative securities fraud class action. The complaint is asserted nominally on behalf of the Company against certain of its directors and officers. The complaint asserts claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets. The complaint seeks compensatory damages, injunctive relief, restitution, disgorgement, attorneys' fees, costs, and such other relief as the court should deem just and proper. On February 28, 2011, the court approved a stipulation filed by the parties similarly providing for a temporary stay of that action until the federal court rules on defendants' motions to dismiss the consolidated complaint in the first putative securities fraud class action. The action remains stayed pending the federal court's decision on the Company's pending motion to dismiss the Second Consolidated Amended Complaint in the first putative securities fraud class action.

The Company and the other defendants intend to vigorously defend all the pending lawsuits. Additional lawsuits may be filed and, at this time, the Company is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if any, associated with the resolution of these lawsuits or any potential effect they may have on the Company or its operations.

Executive Officers of the Registrant

On November 20, 2012, the Company announced that effective December 3, 2013, Brian P. Kelley will become the President and Chief Executive Officer of the Company and a member of the Board of Directors. Mr. Kelley was named President of Coca-Cola Refreshments in September 2012, to be effective January 1, 2013. Coca-Cola Refreshments is The Coca-Cola Company's North America business unit with 68,000 employees. Mr. Kelley has been Chief Product Supply Officer, Coca Cola Refreshments since October, 2010. Mr. Kelley is 51 years old.

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

Name	Age	Position	Officer since
Lawrence J. Blanford	59	President, Chief Executive Officer and Director	2007
Gérard Geoffrion	60	President, International Business Development	2010
Stephen L. Gibbs	40	Vice President, Chief Accounting Officer	2011
Michael Jacobs	51	Chief Logistics Officer	2012
Linda Longo-Kazanova	59	Vice President, Chief Human Resources Officer	2011
Howard Malovany	62	Vice President, Corporate General Counsel and Secretary	2009
R. Scott McCreary	53	President of SCBU	2004
Frances G. Rathke	52	Vice President, Chief Financial Officer and Treasurer	2003
Stephen J. Sabol	50	Vice President of Development	1993
Michelle V. Stacy	56	President of KBU	2008
Sylvain Toutant	49	President of CBU	2012

Lawrence J. Blanford has served as President, Chief Executive Officer and Director since May 2007. From May 2005 to October 2006, Mr. Blanford held the position of Chief Executive Officer at Royal Group Technologies Ltd., a Canadian building products and home improvements company. From January 2004 to May 2005, Mr. Blanford was Founder and President of Strategic Value Consulting, LLC, a consultancy.

Gérard Geoffrion has served as President, International Business Development since October 2012. Prior to that he served as President of the Company's CBU since joining the Company on December 17, 2010 through the acquisition of Van Houtte. Prior to joining the Company, Mr. Geoffrion served as President and CEO of Van Houtte from July 2008 to December 2010 and as Executive Vice President prior to that time for Van Houtte.

Stephen L. Gibbs has served as Vice President and Chief Accounting Officer of the Company since August 2011. Prior to joining the Company, Mr. Gibbs served as Vice President and Chief Accounting Officer for Scientific Games Corporation from April 2006 to August 2011 and Vice President of Finance for Scientific Games Racing from April 2005 to March 2006.

Mr. Gibbs served as Manager of Accounting Research for The Coca-Cola Company from September 2004 to March 2005 and as Controller for TRX, Inc. from May 2004 to August 2004. Prior to that time, Mr. Gibbs served nine years in public accounting with the firms of Arthur Andersen LLP and Deloitte & Touche LLP.

Michael Jacobs has served as Chief Logistics Officer since September 2012. Prior to that Mr. Jacobs served as Vice President, Enterprise Logistics and Distribution since April 2012. Previous to his employment with the Company, Mr. Jacobs spent fourteen years with Toys"R"Us. His most recent position prior to leaving was Senior Vice President, Logistics, however he held many roles within the company relating to logistics, distribution and logistics strategy on a global basis.

Linda Longo-Kazanova joined the Company in February 2011 and has served as Vice President, Chief Human Resources Officer since March 2011. Prior to joining the Company, Ms. Longo-Kazanova served as Vice President Human Resources and Medical for Burlington Northern Santa Fe, LLC (formerly known as Burlington Northern Santa Fe Corporation) from May 2007 to September 2010 and Senior Vice President, Human Resources and Business Optimization for ProQuest Company (formerly known as Bell and Howell Company) from 2000 to 2007.

Howard Malovany has served as Vice President, Corporate General Counsel and Secretary since February 2009. From 1996 to 2009, Mr. Malovany worked with the Wm. Wrigley Jr. Company, serving most recently as Senior Vice President, Secretary and General Counsel. Mr. Malovany also serves as Secretary and Director of Brewing a Better World Foundation.

R. Scott McCreary has served as President of SCBU since December 2009 and Chief Operating Officer of the Company from September 2004 to December 2009.

Frances G. Rathke has served as Vice President, Chief Financial Officer and Treasurer of the Company since October 2003. Ms. Rathke also serves as Treasurer and Director of Brewing a Better World Foundation.

Stephen J. Sabol has served as Vice President of Development of the Company since October 2001.

Michelle V. Stacy has served as President of KBU since November 2008. From October 2007 to October 2008, Ms. Stacy served as Managing Partner of Archpoint Consulting, a professional services firm. From October 2005 to October 2007, Ms. Stacy was Vice President and General Manager of Global Professional Oral Care with Procter & Gamble. From 1983 to 2005, Ms. Stacy held various executive positions with The Gillette Company.

Sylvain Toutant has served as President of the CBU since October 2012. Prior to that he served as Chief Operating Officer of CBU since joining the Company on December 17, 2010 through GMCR's acquisition of Van Houtte. Prior to the acquisition, Mr. Toutant joined Van Houtte in 2008 and served as President, Retail. Previous to his employment with Van Houtte, Mr. Toutant held positions as President and CEO at Société des alcools du Québec, President and CEO at Groupe San Francisco, and multiple positions at Réno-Dépôt.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Price Range of Securities

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

		High	Low
Fiscal 2011	13 weeks ended December 25, 2010	$ 37.72	$ 26.87
	13 weeks ended March 26, 2011	$ 63.06	$ 31.93
	13 weeks ended June 25, 2011	$ 84.89	$ 62.70
	13 weeks ended September 24, 2011	$ 111.62	$ 84.08
Fiscal 2012	13 weeks ended December 24, 2011	$ 105.18	$ 40.89
	13 weeks ended March 24, 2012	$ 69.75	$ 43.17
	13 weeks ended June 23, 2012	$ 52.45	$ 19.76
	14 weeks ended September 29, 2012	$ 32.16	$ 17.49

Number of Equity Security Holders

As of November 20, 2012, the number of record holders of the Company's common stock was 437.

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.

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 under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	6,515,456	$ 13.10	7,175,058
Equity compensation plans not approved by security holders(2)	1,092,589	$ 7.80	—
Total	7,608,045	$ 12.33	7,175,058

(1) Includes the 1993 Stock Option Plan, the 1999 Stock Option Plan, the 2000 Stock Option Plan, the 2006 Incentive Plan, the 2002 Deferred Compensation Plan and the Green Mountain Coffee Roasters, Inc. Amended and Restated Employee Stock Purchase Plan. See Note 15, *Employee Compensation Plans,* of the Consolidated Financial Statements included in this Annual Report.

(2) Includes compensation plans assumed in the Keurig acquisition and inducement grants to Lawrence Blanford, Gérard Geoffrion, Linda Longo-Kazanova, Howard Malovany, Michelle Stacy and Sylvain Toutant. See Note 15, *Employee Compensation Plans,* of the Consolidated Financial Statements included in this Annual Report.

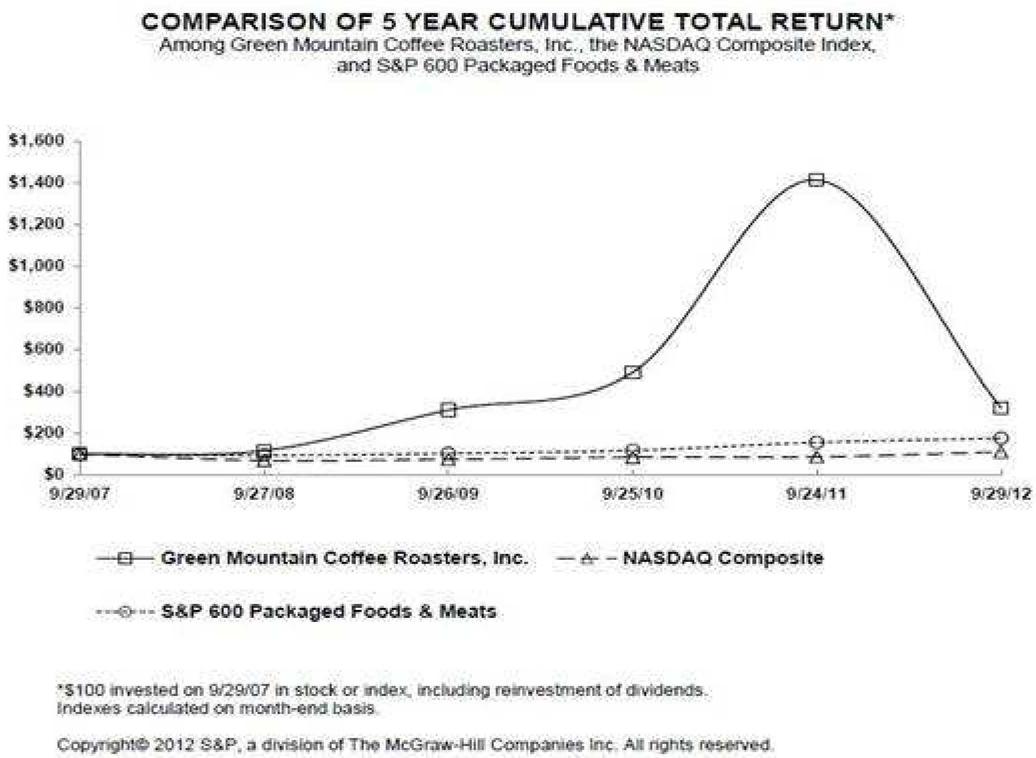
Issuer Purchases of Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Remaining Amount Available Under the Plan (in thousands)
June 24, 2012 to July 21 2012	N/A	N/A	N/A	N/A
July 22, 2012 to August 18, 2012	794,300	$ 23.45	794,300	$ 481,374
August 19, 2012 to September 29, 2012	2,326,400	$ 24.86	2,326,400	$ 423,530
Total	3,120,700	$ 24.50	3,120,700	

Monthly information corresponds to our fiscal months during the fourth quarter of fiscal 2012.

The repurchase program is conducted under authorization granted by our Board of Directors. On July 30, 2012, our Board of Directors authorized a program for the Company to repurchase up to $500.0 million of our common shares over the next two years, and at such times and prices as determined by the Company's management.

Performance Graph



Item 6. Selected Financial Data

The following data should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements of the Company, including the notes thereto, in Items 7 and 8, respectively, of this Annual Report in order to fully understand factors that may affect the comparability of the financial data. The following selected Consolidated Balance Sheet data as of September 29, 2012, and September 24, 2011 and selected Consolidated Statements of Operations for the fiscal years ended September 29, 2012, September 24, 2011 and September 25, 2010 are derived from our audited financial statements included in Item 8 of this Annual Report. The historical results do not necessarily indicate results expected for any future period.

Our fiscal year ends on the last Saturday in September. Fiscal 2012 consists of 53 weeks. Fiscal years 2011, 2010, 2009, and 2008 each consists of 52 weeks. There were no cash dividends paid during the past five fiscal years.

	Fiscal Years Ended				
	September 29, 2012(6)	September 24, 2011(4)	September 25, 2010(3)	September 26, 2009(2)	September 27, 2008
	In thousands, except per share data				
Net sales	$ 3,859,198	$ 2,650,899	$ 1,356,775	$ 786,135	$ 492,517
Net income attributable to GMCR	$ 362,628	$ 199,501	$ 79,506	$ 54,439	$ 21,669
Net income per share-diluted(7)	$ 2.28	$ 1.31	$ 0.58	$ 0.45	$ 0.19
Total assets	$ 3,615,789	$ 3,197,887	$ 1,370,574	$ 813,405	$ 354,693
Long-term debt, less current portion	$ 466,984	$ 575,969	$ 335,504	$ 73,013	$ 123,517
Total stockholders' equity	$ 2,261,228(8)	$ 1,912,215(5)	$ 699,245	$ 587,350(1)	$ 138,139

(1) The fiscal 2009 stockholders' equity balance reflects the impact of the August 12, 2009 equity offering.
(2) Fiscal 2009 information presented reflects the acquisition of the wholesale business and certain assets of Tully's Coffee Corporation.
(3) Fiscal 2010 information presented reflects the acquisition of Timothy's Coffee of the World Inc. on November 13, 2009 and the acquisition of Diedrich Coffee, Inc. on May 11, 2010.
(4) Fiscal 2011 information presented reflects the acquisition of LJVH Holdings, Inc. and Subsidiaries ("Van Houtte") on December 17, 2010.
(5) The fiscal 2011 stockholders' equity balance reflects the impact of the May 11, 2011 equity offering and concurrent private placement and the September 28, 2010 sale of common stock to Luigi Lavazza S.p.A. ("Lavazza").
(6) Fiscal 2012 information presented reflects the sale of Van Houtte USA Holdings, Inc., also known as the Van Houtte U.S. Coffee Service business or the "Filterfresh" business, on October 3, 2011.
(7) Previous years restated to reflect a 3-for-1 stock split effective May 17, 2010 and a 3-for-2 stock split effective June 8, 2009.
(8) Includes common shares acquired under repurchase program authorized by Board of Directors.

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

The following discussion and analysis is intended to help you understand the results of operations and financial condition of Green Mountain Coffee Roasters, Inc. (together with its subsidiaries, the "Company", "GMCR", "we", "our", or "us"). You should read the following discussion and analysis in conjunction with our consolidated financial statements and related notes included elsewhere in this report.

Overview

We are a leader in the specialty coffee and coffeemaker businesses. We sell Keurig ® Single Cup Brewers and roast high-quality Arabica bean coffees including single-origin, Fair Trade Certified ™, certified organic, flavored, limited edition and proprietary blends offered in K-Cup ® and Vue ® packs ("single serve packs") for use with our Keurig ® Single Cup Brewers. We also offer traditional whole bean and ground coffee in other package types including bags, fractional packages and cans. In addition, we produce and sell other specialty beverages in single serve packs including hot apple cider, hot and iced teas, iced coffees, iced fruit brews, hot cocoa and other dairy-based beverages. The brands include:

- Arbuckle ®
- Barista Prima Coffeehouse ®
- Bigelow ®
- Brûlerie Mont-Royal ®
- Brûlerie St. Denis ®
- Café Adagio Coffee ®
- Café Escapes ®
- Caribou Coffee ®
- Celestial Seasonings ®
- Coffee People ®
- Diedrich Coffee ®
- Distinction ®
- Donut House Collection ®
- Dunkin' Donuts ™
- Eight O'Clock ®
- Emeril's ®
- Folgers Gourmet Selections ®
- Gloria Jean's ®
- Green Mountain Coffee ®
- Green Mountain Naturals ®
- Kahlua ®
- Kirkland Signature ™
- Lavazza ®
- McQuarry ™
- Millstone ®
- Newman's Own ® Organics
- Orient Express ®
- Promenade ™
- Red Carpet ™
- revv ®
- Starbucks ®
- Swiss Miss ®
- Tazo ®
- The Original Donut Shop ™
- Timothy's ®
- TK ™
- Tully's ®
- Twinings of London ®
- Van Houtte ®
- Vitamin Burst ®
- Wolfgang Puck ®

The Bigelow ®, Caribou Coffee ®, Celestial Seasonings ®, Dunkin' Donuts ™, Eight O'Clock ®, Emeril's ®, Folgers Gourmet Selections ®, Gloria Jean's ®, Kahlua ®, Kirkland Signature ™, Lavazza ®, Millstone ®, Newman's Own ® Organics, Starbucks ®, Swiss Miss ®, Tazo ®, Twinings of London ®, and Wolfgang Puck ® brands are available through relationships we have with their respective brand owners. Each of these brands is property of their respective owners and is used with permission.

Over the last several years the primary growth in the coffee industry has come from the specialty coffee category, including demand for single cup specialty coffee which can now be enjoyed in a wide variety of locations, including home, office, professional locations, restaurants, hospitality and specialty coffee shops. This growth has been driven by the emergence of specialty coffee shops throughout North America, the general level of consumer knowledge of, and appreciation for, coffee quality and variety, and the wider availability of high-quality coffee. The Company has been benefiting from this overall industry trend in addition to what we believe to be our carefully developed and distinctive advantages over our competitors.

Our growth strategy involves developing and managing marketing programs to drive Keurig ® Single Cup Brewer adoption in North American households and offices in order to generate ongoing demand for single serve packs. As part of this strategy, we work to sell our AH brewers at attractive price points which are approximately at cost, or sometimes at a loss when factoring in the incremental costs related to sales, in order to drive the sales of profitable single serve packs. In addition, we have license agreements with Breville Group Limited, Jarden Inc., producer of Mr. Coffee ® brand coffeemakers, and Conair, Inc., producer of Cuisinart ® brand coffeemakers, under which each produce, market and sell coffeemakers co-branded with Keurig ®.

In recent years, our growth has been driven predominantly by the growth and adoption of Keurig ® Single Cup Brewing systems which includes both the K-Cup ® and the Vue ® brewers and related single serve packs. In fiscal 2012, approximately 90% of our consolidated net sales were attributed to the combination of single serve packs and Keurig ® Single Cup Brewers and related accessories. Additionally, during this time frame we made a number of strategic acquisitions that strengthened our long-term position and contributed to our growth rate.

We regularly conduct consumer surveys to better understand our consumers' preferences and behaviors. In Company surveys, we have learned that consumers prefer our Keurig ® Single Cup Brewing systems for three main reasons (which we see as our competitive advantages):

1 Quality—expectations of the quality of coffee consumers drink has increased over the last several years and, we believe, with the Keurig ® system, consumers can be certain they will get a high-quality, consistently produced beverage every time.

2 Convenience—the Keurig ® system prepares beverages generally in less than a minute at the touch of a button with no mess, no fuss.

3 Choice—with many single serve beverage brands across multiple beverage categories, GMCR offers more than 225 individual varieties, allowing consumers to enjoy and explore a wide range of beverages. In addition to a variety of brands of coffee and tea, we also produce and sell hot apple cider, iced teas, iced coffees, iced fruit brews, hot cocoa and other dairy-based beverages, in single serve packs.

We believe it's the combination of these attributes that make the Keurig ® Single Cup Brewing systems so appealing to so many consumers.

We are focused on building our brands and profitably growing our business. We believe we can continue to grow sales by increasing consumer awareness in existing regions, expanding into new geographic regions, expanding consumer choice of coffee, tea and other beverages in our existing brewing systems or through the introduction of new brewing platforms, expanding sales in adjacent beverage industry segments and/or selectively pursuing other synergistic opportunities.

In fiscal 2011, we acquired LJVH Holdings Inc. ("Van Houtte") owner of Van Houtte ® and other brands, based in Montreal, Canada. This acquisition is providing growth opportunities for us, particularly in Canada, and we believe is further advancing our objective of becoming a leader in the competitive coffee and coffeemaker business in North America.

We have continued to expand consumer choice in the system by entering into a number of business relationships which enable us to offer other strong national and regional coffee brands such as Folgers ® and Millstone ® (owned by The J.M. Smucker Company), Dunkin' Brands, Inc., Starbucks ® coffee and Tazo ® tea, Eight O'Clock ® coffee, Tetley ® tea, Good Earth ® tea, and Snapple ® teas in single serve packs for use with Keurig ® Single Cup Brewers. We also continue to examine opportunities for business relationships with other strong national/regional brands including the potential for adding premium store-brand or co-branded single serve packs to create additional single serve products that will help augment consumer demand for the Keurig ® Single Cup Brewing systems. For example, in November 2012, the Company announced it is the exclusive manufacturer of Costco Kirkland Signature ™ brand K-Cup ® packs for the Keurig ® Single Cup Brewing system. We believe these new product offerings fuel excitement for current Keurig owners and users; raise system awareness; attract new consumers to the system; and promote expanded use of the system. These relationships were established with careful consideration of potential economics and with the expectation that these relationships will lead to increased Keurig ® Single Cup Brewing system awareness and household adoption through the participating brand's advertising and merchandising activities.

We are also focused on continued innovation both in single serve brewing systems and other single serve beverages. Some of our recent initiatives include:

- An expansion of our Keurig ® Single Cup Brewing system to include Keurig ® Vue ® brewers and related Vue ® packs;
- A launch of the Keurig ® Rivo ™ Cappuccino and Latte System and Rivo ™ pack espresso blend varieties (collectively the "Rivo ™ System"), in partnership with Luigi Lavazza S.p.A. ("Lavazza"); and
- An introduction of our Wellness Brewed ™ collection which includes coffees, teas and Vitamin Burst ™ fruit brew beverages that contain added ingredients like antioxidant vitamins.

Management is focused on executing on the above stated growth strategy to drive Keurig ® Single Cup Brewer adoption in North American households and offices in order to generate ongoing demand for single serve packs.

For fiscal 2012, the Company's net sales of $3,859.2 million represented growth of 46% over fiscal 2011. Approximately 90% of our fiscal 2012 consolidated net sales were attributed to the combination of single serve packs and Keurig ® Single Cup Brewers and related accessories. Gross profit for fiscal 2012 was $1,269.4 million, or 32.9% of net sales, as compared to $904.6 million, or 34.1% of net sales, in fiscal 2011. Fiscal 2012, selling, operating, and general and administrative expenses ("SG&A") increased 31% to $700.5 million from $535.7 million in fiscal 2011. As a percentage of sales, SG&A expenses improved to 18.2% in fiscal 2012 from 20.2% in fiscal 2011. Our operating margin improved to 14.7% in fiscal 2012 from 13.9% in fiscal 2011.

We continually monitor all costs, including coffee, as we review our pricing structure as cyclical swings in commodity markets are common. The recent years have seen significant volatility in the "C" price of coffee (i.e. the price per pound quoted by the Intercontinental Exchange). We expect coffee prices to remain volatile in the coming years. To help mitigate this volatility, we generally fix the price of our coffee contracts for approximately two fiscal quarters, and at times three fiscal quarters, prior to delivery so that we have the ability to adjust our sales prices to marketplace conditions if required.

We offer a one-year warranty on all Keurig ® Single Cup Brewers we sell and provide for the estimated cost of product warranties, primarily using historical information and current repair or replacement costs, at the time product revenue is recognized. In addition, sales of Keurig ® Single Cup Brewers are recognized net of an allowance for returns using an average return rate based on historical experience and an evaluation of contractual rights or obligations. The Company is experiencing warranty claims that are lower than the rates experienced over the prior two years, which had related to a component failing at higher-than-anticipated rates in the later stage of the warranty life. Management believes that the lower rates are the result of improvements made in units produced since mid-2011 that incorporated an updated component that improved later-stage performance. Management's analysis of these claims remains consistent with its previous diagnosis of a later-stage performance issue caused by a component failing at higher-than-anticipated rates. We have incorporated the recent improvement in the rate of warranty claims into our estimates used in the reserve for product warranty costs. We focus some of our research and development efforts on improving brewer reliability, strengthening its quality controls and product testing procedures. As we have grown, we have added significantly to our product testing, quality control infrastructure and overall quality processes. As we continue to innovate, and our products become more complex, both in design and componentry, product performance may tend to modulate, causing warranty or sales returns rates to possibly fluctuate going forward, so that they may be higher or lower than we are currently experiencing and for which we are currently providing for in our warranty or sales return reserves.

We generated $477.8 million in cash from operations during fiscal 2012 as compared to $0.8 million in fiscal 2011. In addition, we completed the sale of our U.S. Coffee Service business, Filterfresh, generating $137.7 million in cash. During fiscal 2012, we primarily used cash generated from operations and from the sale of Filterfresh to reduce our borrowings under long-term debt obligations by $116.5 million, fund capital expenditures of $401.1 million and repurchase shares of our common stock of $76.5 million.

We consistently analyze our short-term and long-term cash requirements to continue to grow the business. We expect that most of our cash generated from operations will continue to be used to fund capital expenditures and the working capital required for our growth over the next few years.

Business Segments

The Company manages its operations through three operating segments, the Specialty Coffee business unit ("SCBU"), the Keurig business unit ("KBU") and the Canadian business unit ("CBU"). In addition, see Note 4, *Segment Reporting* , of the Notes to Consolidated Financial Statements included in this Annual Report.

Management evaluates the performance of our operating segments based on several factors, including net sales and income before taxes. Net sales are recorded on a segment basis and intersegment sales are eliminated as part of the financial consolidation process. Segment income before taxes represents earnings before income taxes and includes intersegment interest income and expense and transfer pricing on intersegment sales. Our manufacturing operations occur within the SCBU and CBU segments; however, the costs of manufacturing are recognized in cost of sales in the operating segment in which the sale occurs. Information system technology services are mainly centralized while finance functions are primarily decentralized, but currently maintain some centralization through an enterprise shared services group. Expenses related to certain centralized administrative functions including accounting and information system technology are allocated to the operating segments. Expenses not specifically related to an operating segment are recorded in the "Corporate" segment. Corporate expenses are comprised mainly of the compensation and other related expenses of certain of our senior executive officers and other selected employees who perform duties related to the entire enterprise. Corporate expenses also include depreciation expense on corporate assets, interest expense, foreign exchange gains or losses, certain corporate legal and acquisition-related expenses and compensation of the board of directors.

Effective with the beginning of our third quarter of fiscal 2011, KBU no longer records royalty income from SCBU and CBU on shipments of single serve packs, thus removing the need to eliminate royalty income during the financial consolidation process. Prior to the third quarter of fiscal 2011, we recorded intersegment sales and purchases of brewer and K-Cup ® packs at a markup. During the third quarter of fiscal 2011, we unified the standard costs of brewer and K-Cup ® pack inventories across the segments and began recording intersegment sales and purchases of brewers and K-Cup ® packs at new unified standard costs. This change simplified intercompany transactions by removing the need to eliminate the markup incorporated in intersegment sales as part of the financial consolidation process. These changes were not retrospectively applied.

Effective at the beginning of fiscal year 2012, we changed our organizational structure to align certain portions of our business by geography. Prior to fiscal 2012, sales and operations associated with the Timothy's brand were included in our SCBU segment, and a portion of the AH single cup business with retailers in Canada was included in the KBU segment. Under the new structure, Timothy's and all of the AH single cup business with retailers in Canada are included in the CBU segment. In addition, effective September 25, 2011, single serve pack and brewer inventories are now transferred directly between SCBU and KBU. Intersegment sales are no longer transacted between SCBU and KBU.

Selected financial data for segment results for fiscal years 2011 and fiscal 2010 have been recast to reflect Timothy's and the AH single cup business with retailers in Canada in the CBU segment.

Basis of Presentation

Included in this presentation are discussions and reconciliations of income before taxes, net income and diluted earnings per share in accordance with accounting principles generally accepted in the United States of America ("GAAP") to income before taxes, net income and diluted earnings per share excluding certain expenses and losses. We refer to these performance measures as non-GAAP net income and non-GAAP net income per share. These non-GAAP measures exclude transaction expenses related to our acquisitions including the foreign exchange impact of hedging the risk associated with the Canadian dollar purchase price of the Van Houtte acquisition; any gain from the sale of Filterfresh U.S. based coffee services business including the effect of any tax benefits resulting from the use of net operating and capital loss carryforwards as a result of the Filterfresh sale; legal and accounting expenses related to the SEC inquiry and pending litigation; and non-cash related items such as amortization of identifiable intangibles and loss on extinguishment of debt, each of which include adjustments to show the tax impact of excluding these items. Each of these adjustments was selected because management uses these non-GAAP measures in discussing and analyzing its results of operations and because we believe the non-GAAP measures provide investors with greater transparency by helping to illustrate the underlying financial and business trends relating to our results of operations and financial condition and comparability between current and prior periods. For example, we excluded acquisition-related transaction expenses because these expenses can vary from period to period and transaction to transaction and expenses associated with these activities are not considered a key measure of our operating performance.

We use the non-GAAP measures to establish and monitor budgets and operational goals and to evaluate the performance of the Company. These non-GAAP measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute or superior to, the other measures of financial performance prepared in accordance with GAAP. Using only the non-GAAP financial measures to analyze our performance would have material limitations because their calculation is based on the subjective determination of management regarding the nature and classification of events and circumstances that investors may find significant. We compensate for these limitations by presenting both the GAAP and non-GAAP measures of its results.

Acquisitions and Divestitures

On October 3, 2011, all the outstanding shares of Van Houtte USA Holdings, Inc., also known as the Van Houtte U.S. Coffee Service business, or "Filterfresh" business, were sold to ARAMARK Refreshment Services, LLC ("ARAMARK") in exchange for $149.5 million in cash. Approximately $4.4 million of cash was transferred to ARAMARK as part of the sale and $7.4 million was repaid to ARAMARK upon finalization of the purchase price, resulting in a net cash inflow related to the Filterfresh sale of $137.7 million.

On December 17, 2010, we acquired the Van Houtte business through the purchase of all of the outstanding capital stock of LJVH Holdings, Inc., a specialty coffee roaster headquartered in Montreal, Quebec, for $907.8 million, net of cash acquired. The acquisition was financed with cash on hand and the Company's credit facility.

Van Houtte is reported in the CBU segment, as was Filterfresh, prior to being sold.

On May 11, 2010, we acquired all of the outstanding common stock of Diedrich for approximately $305.3 million, net of cash acquired. The acquisition was financed using available cash on hand, our then existing credit facility and a $140.0 million term loan.

On November 13, 2009, the Company acquired all of the outstanding stock of Timothy's, which included its brand and wholesale coffee business for an aggregate purchase price of approximately $155.7 million. The acquisition was financed using available cash on hand.

Summary Financial Data of the Company

Our fiscal year ends on the last Saturday in September. Fiscal years 2012, 2011 and 2010 represent the years ended September 29, 2012, September 24, 2011 and September 25, 2010, respectively. Fiscal 2012 consists of 53 weeks and fiscal years 2011 and 2010 each consist of 52 weeks.

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

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net sales	100.0%	100.0%	100.0%
Cost of sales	67.1%	65.9%	68.6%
Gross profit	32.9%	34.1%	31.4%
Selling and operating expenses	12.5%	13.2%	13.7%
General and administrative expenses	5.7%	7.1%	7.4%
Operating income	14.7%	13.9%*	10.2%*
Other income (expense), net	0.0%	0.0%	0.0%
Loss on financial instruments, net	(0.1)%	(0.2)%	0.0%
Gain (Loss) on foreign currency, net	0.2%	(0.1)%	—
Gain on sale of subsidiary	0.7%	—	—
Interest expense	(0.6)%	(2.2)%	(0.4)%
Income before income taxes	14.9%	11.4%	9.8%
Income tax expense	(5.5)%	(3.8)%	(4.0)%
Net Income	9.4%	7.6%	5.9%*
Net income attributable to noncontrolling interests	0.0%	0.1%	—
Net income attributable to GMCR	9.4%	7.5%	5.9%

* Does not add due to rounding

Segment Summary

Net sales and income before taxes for each of our operating segments are summarized in the tables below. Effective the beginning of fiscal 2012, Timothy's and all AH single cup business with retailers in Canada are included in the CBU segment. Prior to fiscal 2012, Timothy's was included in the SCBU segment, and a portion of the AH single cup business with retailers in Canada was included in the KBU segment. Segment net sales and income before taxes for fiscal years 2011 and fiscal 2010 have been recast to reflect Timothy's and the AH single cup business with retailers in Canada in the CBU segment.

	Net sales (in millions)			2012 over 2011		2011 over 2010	
	Fiscal 2012	Fiscal 2011	Fiscal 2010	$ Increase (Decrease)	% Increase (Decrease)	$ Increase (Decrease)	% Increase (Decrease)
SCBU	$ 1,550.4	$ 963.7	$ 571.6	$ 586.7	61%	$ 392.1	69%
KBU	1,683.3	1,188.7	699.3	494.6	42%	489.4	70%
CBU	625.5	498.5	85.9	127.0	25%	412.6	480%
Corporate	—	—	—	—	—	—	—
Total Company	$ 3,859.2	$ 2,650.9	$ 1,356.8	$ 1,208.3	46%	$ 1,294.1	95%

	Income (loss) before taxes (in millions)			2012 over 2011		2011 over 2010	
	Fiscal 2012	Fiscal 2011	Fiscal 2010	$ Increase (Decrease)	% Increase (Decrease)	$ Increase (Decrease)	% Increase (Decrease)
SCBU	$ 371.2	$ 249.9	$ 104.9	$ 121.3	49%	$ 145.0	138%
KBU	153.2	126.2	75.7	27.0	21%	50.5	67%
CBU	116.9	72.9	11.3	44.0	60%	61.6	545%
Corporate	(65.2)	(121.0)	(44.1)	55.8	(46)%	(76.9)	174%
Inter-company eliminations	—	(25.2)	(14.6)	25.2	(100)%	(10.6)	73%
Total Company	$ 576.1	$ 302.8	$ 133.2	$ 273.3	90%	$ 169.6	127%

Revenue

Company Summary

The following table presents consolidated net sales by major product category:

	Net Sales (in millions)			2012 over 2011		2011 over 2010	
	Fiscal 2012	Fiscal 2011	Fiscal 2010	$ Increase (Decrease)	% Increase (Decrease)	$ Increase (Decrease)	% Increase (Decrease)
Single Serve Packs	$ 2,708.9	$ 1,704.0	$ 834.4	$ 1,004.9	59%	$ 869.6	104%
Brewers and Accessories	759.8	524.7	330.8	235.1	45%	193.9	59%
Other Products and Royalties	390.5	422.2	191.6	(31.7)	(8)%	230.6	120%
Total Net Sales	$ 3,859.2	$ 2,650.9	$ 1,356.8	$ 1,208.3	46%	$ 1,294.1	95%

53rd Week

In fiscal 2012, we had an additional week of sales (53rd week) due the fact that our fiscal year ends the last Saturday of each September. The 53rd week increased net sales by approximately $90.0 million and net income by approximately $11.0 million (net of income taxes of $5.8 million), or $0.07 per share.

Fiscal 2012

Net sales for fiscal 2012 increased 46% to $3,859.2 million, up from $2,650.9 million reported in fiscal 2011. The primary drivers of the increase in the Company's net sales were a 59%, or $1,004.9 million, increase in single serve pack net sales, a 45%, or $235.1 million, increase in Keurig ® Single Cup Brewer and accessories sales, offset by a 8%, or $31.7 million, net decrease in other products and royalties primarily as a result of the sale of Filterfresh.

The increase in single serve pack net sales was driven by a 49 percentage point increase in sales volume, a 9 percentage point increase in K-Cup ® pack net price realization due primarily to price increases implemented during fiscal 2011 to offset the then higher green coffee and the other input costs, and a 2 percentage point increase in K-Cup ® pack net sales due to the acquisition of Van Houtte. These increases in single serve pack net sales were offset by 1 percentage point reduction due to single serve pack product mix.

Fiscal 2011

Net sales for fiscal 2011 increased 95% to $2,650.9 million, up from $1,356.8 million reported in fiscal 2010. The primary drivers of the increase in the Company's net sales were a 104%, or $869.6 million, increase in single serve pack net sales, a 59%, or $193.9 million, increase in Keurig ® Single Cup Brewer and accessories sales, and 120%, or $230.6 million increase in other products primarily as a result of the Van Houtte acquisition.

Fiscal 2011 net sales from single serve packs increased 104% to $1,704.0 million from $834.4 million in fiscal 2010. The increase is driven by a 76 percentage point increase in single serve pack sales volume, an 18 percentage point increase in single serve pack net price realization due to price increases implemented during fiscal 2011 to offset higher green coffee and other input costs, and a 10 percentage point increase in single serve pack net sales due to the acquisition of Van Houtte.

SCBU

Fiscal 2012

SCBU segment net sales to unaffiliated customers increased by $586.7 million, or 61%, to $1,550.4 million in fiscal 2012 as compared to $963.7 million in fiscal 2011. The increase is due primarily to a $609.5 million, or 76%, increase related to sales of single serve packs.

Fiscal 2011

SCBU segment net sales increased by $392.1 million or 69%, to $963.7 million in fiscal 2011 as compared to $571.6 million in fiscal 2010. The increase is due to a 62 percentage point increase in sales volume of single serve packs and a 9 percentage point increase due to net price realization on single serve packs. SCBU net sales for fiscal years 2011 and 2010 were recast to exclude Timothy's, as described above.

KBU

Fiscal 2012

KBU segment net sales to unaffiliated customers increased by $494.6 million, or 42%, to $1,683.3 million in fiscal 2012 as compared to $1,188.7 million in fiscal 2011. The increase is due primarily to a $312.9 million, or 44%, increase related to sales of K-Cup ® and Vue ® packs and a $185.8 million, or 40%, increase related to sales of Keurig ® Single Cup Brewers and accessories.

Fiscal 2011

KBU segment net sales increased by $489.4 million or 70%, to $1,188.7 million in fiscal 2011 as compared to $699.3 million in fiscal 2010. The increase is due to a 37 percentage point increase in sales volume of single serve packs, a 24 percentage point increase in sales volume of Keurig ® Single Cup Brewers and accessories and a 9 percentage point increase due to net price realization on K-Cup ® packs. KBU net sales for fiscal years 2011 and 2010 were recast to exclude the AH single cup business with retailers in Canada, as described above.

CBU

Fiscal 2012

For fiscal 2012, CBU segment net sales to unaffiliated customers were $625.5 million as compared to $498.5 million in fiscal 2011. The increase is due to a $98.6 million, or 57%, increase related to the sale of single serve packs, a $47.6 million, or 103%, increase related to sales of Keurig ® Single Cup Brewers and accessories, and a $71.7 million, or 38%, increase related to other products, partially offset by a $90.9 million decrease due to the sale of Filterfresh on October 3, 2011.

Fiscal 2011

For fiscal 2011, CBU segment net sales to unaffiliated customers were $498.5 million as compared to $85.9 million in fiscal 2010. The Van Houtte acquisition, which resulted in creation of the CBU segment, was completed on December 17, 2010 and, accordingly, results of operations from such date have been included in the Company's Statement of Operations. CBU net sales for fiscal years 2011 and 2010 were recast to reflect Timothy's and the AH single cup business with retailers in Canada in the CBU segment, as described above.

Gross Profit

Fiscal 2012

Gross profit for fiscal 2012 was $1,269.4 million, or 32.9% of net sales, as compared to $904.6 million, or 34.1% of net sales, in fiscal 2011. Gross margin declined approximately (i) 220 basis points due to higher labor and overhead manufacturing costs associated with the ramp-up in our manufacturing base, (ii) 80 basis points due to higher green coffee costs, (iii) 70 basis points due to a higher write down of inventories, including finished goods and raw materials, due to lower than anticipated sales of seasonal and certain coffee products, and (iv) 50 basis points due to the launch of our new Keurig ® Vue ® Brewing system that has a lower gross margin than the Keurig ® K-Cup ® Brewing system. The decrease in gross margin was partially offset by (i) a 260 basis point increase due to net price realization primarily from price increases taken in fiscal 2011 to offset higher green coffee and other input costs that were experienced in fiscal 2011 and the first half of fiscal 2012, and (ii) a 40 basis point increase due to the decrease in fiscal 2012 warranty expense related to Keurig ® Single Cup Brewers.

Fiscal 2011

Gross profit for fiscal 2011 was $904.6 million, or 34.1% of net sales as compared to $425.8 million, or 31.4% of net sales, in fiscal 2010. The Company implemented price increases on K-Cup ® packs during fiscal 2011 to offset higher green coffee and other input costs. The impact of these price increases improved gross margin by approximately 400 basis points. The benefit from the price increases was offset by higher green coffee costs in fiscal 2011 as compared to fiscal 2010, which decreased the Company's gross margin by approximately 330 basis points. Gross margin also increased due to a shift in the Company's sales mix. Net sales from Keurig ® Single Cup Brewers and related accessories were lower as a percentage of total Company net sales in fiscal 2011 as compared to fiscal 2010. The Company sells the majority of Keurig ® Single Cup Brewers approximately at cost, or sometimes at a loss when factoring in the incremental costs related to sales, including fulfillment charges, returns and warranty expense. The decrease in Keurig ® Single Cup Brewer and accessories net sales as a percentage of total net sales improved the Company's gross margin by approximately 230 basis points.

Selling, General and Administrative Expenses

Fiscal 2012

SG&A increased 31% to $700.5 million in fiscal 2012 from $535.7 million in fiscal 2011. As a percentage of sales, SG&A expenses improved to 18.2% in fiscal 2012 from 20.2% in fiscal 2011.

SG&A expenses for fiscal 2012 included a full year with the Van Houtte acquisition as compared to approximately nine months in fiscal 2011. This resulted in an increase in SG&A expenses of approximately $30.0 million, which was offset by a decrease in SG&A expenses of $21.4 million as a result of the sale of Filterfresh on October 3, 2011. In addition, fiscal 2012 included a 53rd week which increased SG&A expenses by approximately $11.5 million. Inclusive of the acquisition of Van Houtte, the sale of Filterfresh and the 53rd week in fiscal 2012, SG&A expenses increased primarily due to (i) $66.1 million of additional advertising and certain marketing expenses, (ii) $30.9 million of additional salaries and related expenses, (iii) $13.8 million of additional corporate social responsibility expense, (iv) $7.7 million of additional consulting expenses, and (v) $7.0 million of additional depreciation expense. The increase in SG&A expenses was partially offset by a decrease in fiscal 2011 in general and administrative expenses of $10.6 million in transaction-related expenses primarily due to the Van Houtte acquisition and $1.2 million in legal and accounting expenses associated with the SEC inquiry and pending litigation.

Fiscal 2011

SG&A increased 87% to $535.7 million in fiscal 2011 from $287.0 million in fiscal 2010. As a percentage of sales, SG&A improved to 20.2% in fiscal 2011 from 21.2% in fiscal 2010. The increase is primarily due to the $114.2 million of SG&A expenses incurred in the CBU segment. During fiscal 2011, general and administrative expenses included $10.6 million of acquisition-related expenses related to the acquisition of Van Houtte and acquisition-related expenses decreased $8.3 million from fiscal 2010's amount of $18.9 million. In addition, amortization of identifiable intangibles due to all Company acquisitions increased $26.3 million ($19.2 million of which is related to the Van Houtte acquisition and is included in the $114.2 million above) in fiscal 2011 to $41.3 million from $15.0 million in fiscal 2010. The Company incurred approximately $7.9 million in fiscal 2011for legal and accounting expenses associated with the SEC inquiry, associated pending litigation and the Company's internal investigation.

Gain (Loss) on Financial Instruments

Fiscal 2012

We incurred $4.9 million in net losses on financial instruments not designated as hedges for accounting purposes during fiscal 2012 as compared to $6.2 million in net losses during fiscal 2011. For fiscal 2012, the net losses were primarily attributable to the fair value adjustment of our cross currency swap, which hedges the risk in currency movements on an intercompany note denominated in Canadian currency. For fiscal 2011, we incurred net losses of approximately $3.2 million in derivative instruments that were used to hedge the Canadian dollar purchase price of the Van Houtte acquisition and a $2.3 million net loss on the fair value adjustment on our cross currency swap.

Fiscal 2011

We incurred $6.2 million in net losses on financial instruments not designated as hedges for accounting purposes during fiscal 2011 as compared to $0.4 million in net losses during fiscal 2010. The fiscal 2011 net loss included a $2.3 million fair value adjustment of our cross currency swap, which hedges the risk in currency movements on an intercompany note denominated in Canadian currency. We also incurred net losses of approximately $3.2 million on derivative instruments that were used to hedge the Canadian dollar purchase price of the Van Houtte acquisition and $0.4 million related to the interest rate cap associated with the extinguishment of our term loan B under our Credit Agreement.

Foreign Currency Exchange Gain (Loss), Net

We have certain assets and liabilities that are denominated in foreign currencies. During fiscal 2012, we incurred a net foreign currency gain of approximately $7.0 million as compared to a net loss of $2.9 million during fiscal 2011. The net foreign currency exchange gains and losses primarily related to re-measurement of our alternative currency revolving credit facility and certain intercompany notes with our foreign subsidiaries.

Gain on Sale of Subsidiary

On October 3, 2011, we sold all the outstanding shares of the Filterfresh business resulting in a gain of $26.3 million.

Interest Expense

Fiscal 2012

Interest expense was $23.0 million in fiscal 2012, as compared to $57.7 million in fiscal 2011. During the third quarter of fiscal 2011, we entered into an Amended and Restated Credit Agreement ("Restated Credit Agreement") which, among other things, eliminated our term loan B facility and reduced interest rates. In fiscal 2011, we incurred a loss of $19.7 million on the write-off of debt issuance costs and the original issue discount on the extinguishment of the term loan B which was charged to interest expense. In addition, average outstanding debt was lower in fiscal 2012 as compared to the average outstanding debt during fiscal 2011 primarily due to the net proceeds of $688.9 million from the May 2011 equity offering and concurrent private placement to Lavazza, which was largely used to repay a portion of the outstanding debt under our credit facility. This decrease in average outstanding debt and lower interest rates contributed to the reduction in interest expense.

Fiscal 2011

Company interest expense was $57.7 million in fiscal 2011, as compared to $5.3 million in fiscal 2010. The increase is primarily attributed to an increase in outstanding borrowings incurred in connection with the Van Houtte acquisition combined with the write-off of approximately $19.7 million of deferred debt issuance costs and original issue discount due to the extinguishment of the term loan B under the Credit Agreement and the extinguishment of our former credit facility.

Income Taxes

Fiscal 2012

Our effective income tax rate was 36.9% for fiscal 2012 as compared to a 33.6% effective tax rate fiscal 2011. The lower effective rate in fiscal 2011 is primarily attributed to the release of valuation allowances related to a $17.7 million capital loss carryforward and a $5.4 million net operating loss carryforward in the fourth quarter of fiscal 2011.

Fiscal 2011

Our effective income tax rate was 33.6% for fiscal 2011 as compared to a 40.3% effective tax rate for fiscal 2010. The difference is primarily attributable to the release of valuation allowances related to a $17.7 million capital loss carryforward and a $5.4 million net operating loss carryforward in the fourth quarter of fiscal 2011. In addition, the Company had a larger percentage of foreign-based sales in Canada, which has a lower corporate tax rate. In fiscal 2011, the Company recognized the tax effect of $8.0 million of non-deductible acquisition-related expenses, compared to $13.6 million in fiscal 2010.

Net Income, Non-GAAP Net Income and Diluted EPS

Company net income in fiscal 2012 was $362.6 million, an increase of $163.1 million or 82%, as compared to $199.5 million in fiscal 2011. Company net income in fiscal 2010 was $79.5 million. Non-GAAP net income for fiscal 2012, when excluding amortization of identifiable intangibles related to the Company's acquisitions; legal and accounting expenses related to the SEC inquiry and associated pending litigation; and the gain from the sale of Filterfresh based coffee services business, increased 53% to $381.6 million from $248.9 million non-GAAP net income in fiscal 2011. Fiscal 2011 non-GAAP net income excludes transaction-related expenses (including the write-off of deferred financing expenses on the extinguishment of our former credit facility and foreign exchange impact of hedging the risk associated with the Canadian dollar purchase price of the Van Houtte acquisition); amortization of identifiable intangibles related to the Company's acquisitions; legal and accounting expenses related to the SEC inquiry and associated pending litigation; loss on extinguishment of debt; and the effect of net operating and capital loss carryforwards used as a result of the sale of Filterfresh. Non-GAAP net income in fiscal 2010 was $105.8 million, which excludes transaction-related expenses for the Diedrich and Timothy's acquisitions and amortization of identifiable intangibles related to the Company's acquisitions.

In fiscal 2012, we had an additional week of activity (53rd week) due the fact that our fiscal year ends the last Saturday of each September. The 53rd week increased fiscal 2012 non-GAAP net income by approximately $11.0 million and non-GAAP diluted EPS by approximately $0.07 per share.

Diluted weighted average shares outstanding increased 10% for fiscal 2011 over fiscal 2010 primarily due to the issuance of approximately 8.6 million shares of common stock to Lavazza on September 28, 2010 and approximately 10.1 million shares on May 11, 2011 from a public offering and concurrent private placement to Lavazza pursuant to its preemptive rights.

Company diluted EPS was $2.28 per share in fiscal 2012, as compared to $1.31 per share in fiscal 2011. Company diluted EPS in fiscal 2010 was $0.58 per share. Non-GAAP diluted EPS was $2.40 per share in fiscal 2012, as compared to $1.64 per share in fiscal 2011. Non-GAAP diluted EPS in fiscal 2010 was $0.77 per share.

The following tables show a reconciliation of net income and diluted EPS to non-GAAP net income and non-GAAP diluted EPS for fiscal years 2012, 2011 and 2010 (in thousands, except per share data):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net income attributable to GMCR	$ 362,628	$ 199,501	$ 79,506
After tax:			
Acquisition-related expenses(1)	—	14,524	16,773
Expenses related to SEC inquiry and pending litigation(2)	4,073	4,895	—
Amortization of identifiable intangibles(3)	31,555	27,343	9,527
Loss on extinguishment of debt(4)	—	11,027	—
Net operating and capital loss carryforwards(5)	—	(8,376)	—
Gain on sale of subsidiary(6)	(16,685)	—	—
Non-GAAP net income attributable to GMCR	$ 381,571	$ 248,914	$ 105,806

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Diluted income per share	$ 2.28	$ 1.31	$ 0.58
After tax:			
Acquisition-related expenses(1)	$ —	$ 0.10	$ 0.12
Expenses related to SEC inquiry and pending litigation(2)	$ 0.03	$ 0.03	$ —
Amortization of identifiable intangibles(3)	$ 0.20	$ 0.18	$ 0.07
Loss on extinguishment of debt(4)	$ —	$ 0.07	$ —
Net operating and capital loss carryforwards(5)	$ —	$ (0.06)	$ —
Gain on sale of subsidiary(6)	$ (0.10)	$ —	$ —
Non-GAAP net income per share	$ 2.40*	$ 1.64*	$ 0.77

* Does not add due to rounding.

(1) The 2011 fiscal year reflects direct acquisition-related expenses of $8.9 million (net of income taxes of $1.7 million); the write-off of deferred financing expenses of $1.6 million (net of income taxes of $1.0 million) on our former credit facility in conjunction with the new financing secured for the Van Houtte acquisition; and the foreign exchange impact of hedging the risk associated with the Canadian dollar purchase price of the Van Houtte acquisition of $4.0 million (net of income taxes of $1.3 million). The 2010 fiscal year represents direct acquisition-related expenses of $16.8 million (net of income taxes of $2.1 million). Direct acquisition-related expenses incurred prior to the closing of the acquisition are tax affected. Generally, upon the close of the acquisition, the direct acquisition related expenses are nondeductible. Income taxes were calculated at our effective tax rate.

(2) Represents legal and accounting expenses, net of income taxes of $2.6 million and $3.0 million for fiscal 2012 and fiscal 2011, respectively, related to the SEC inquiry and pending litigation classified as general and administrative expense. Income taxes were calculated at our effective tax rate.

(3) Represents the amortization of intangibles, net of income taxes of $14.4 million for fiscal 2012, $14.0 million for fiscal 2011 and $5.4 million for fiscal 2010, related to the Company's acquisitions classified as general and administrative expense. Income taxes were calculated at our deferred tax rates.

(4) Represents the write-off of debt issuance costs and original issue discount, net of income taxes of $6.2 million, primarily associated with the extinguishment of the term loan B under the Credit Agreement. Income taxes were calculated at our effective tax rate.

(5) Represents the release of $6.2 million of the valuation allowance against federal capital loss carryforwards which represents the estimate of the tax benefit for the amount of capital losses that were utilized in the first quarter of fiscal 2012 on capital gains generated on the sale of Filterfresh and the utilization in fiscal 2011 of $5.4 million of net

operating loss carryforwards ($2.2 million tax effect) generated from the Filterfresh acquisition.

(6) Represents the gain recognized on the sale of Filterfresh, net of income taxes of $9.6 million. The income taxes of $9.6 million include the tax benefit of $6.2 million resulting from the release of the valuation allowance in fiscal 2011.

Liquidity and Capital Resources

We principally have funded our operations, working capital needs, capital expenditures and acquisitions from operations, equity offerings and borrowings under our credit facilities. At September 29, 2012, we had $531.5 million outstanding in debt and capital lease and financing obligations, $58.3 million in cash and cash equivalents and $803.0 million of working capital (including cash). At September 24, 2011, we had $582.6 million in debt outstanding, $13.0 million in cash and cash equivalents and $660.2 million of working capital (including cash).

Operating Activities:

Net cash provided by (used in) operations is principally comprised of net income and is primarily affected by the net change in working capital and non-cash items relating to depreciation and amortization, provision for sales returns and excess tax benefits from equity-based compensation plans.

Net cash provided by operating activities was $477.8 million in fiscal 2012 as compared to $0.8 million in fiscal 2011. Operations generated $363.5 million in net income in fiscal 2012. Significant non-cash items consisted of $181.6 million in depreciation and amortization, $107.4 million provision for sales returns, an increase in our net deferred tax liabilities of $60.9 million, offset by a $28.9 million gain, excluding transaction costs, from the sale of Filterfresh. Significant changes in assets and liabilities affecting net cash provided by operating activities were an increase in accounts receivable of $159.3 million and an increase in inventories of $92.9 million, offset by an increase in accrued liabilities of $39.7 million. The increase in accounts receivable was a result of the increase in sales in fiscal 2012 over fiscal 2011. The increase in inventories was primarily attributable to increases in brewer and accessories inventory of $105.0 million and green coffee inventory of $33.4 million, partially offset by a decrease in single serve pack inventory of $52.6 million. The increase in brewer and accessory inventory is reflective of the increase in brewer and accessory sales for fiscal 2012 over fiscal 2011. The increase in accrued expenses is reflective of our sales growth and was primarily attributable to increases in accruals for product warranty, customer sales incentives and allowances, third-party fulfillment charges, and Corporate Social Responsibility initiatives.

Investing Activities:

Investing activities primarily include acquisitions and dispositions of businesses along with capital expenditures for equipment and building improvements.

Cash flows used in investing activities for fiscal 2012 included $137.7 million received from the sale of Filterfresh. On October 3, 2011, we sold all the outstanding shares of Filterfresh to ARAMARK for $142.1 million in cash and transferred $4.4 million of cash to ARAMARK as part of the sale resulting in net cash inflow related to the sale of $137.7 million. Cash flows used in investing activities for fiscal 2011 included $907.8 million used in the acquisition of Van Houtte.

Cash spent for capital expenditures were $401.1 million in 2012 as compared to $283.4 million in fiscal 2011. In addition, we acquired fixed assets of $66.5 million in fiscal 2012 under capital lease and financing obligations. Capital expenditures incurred on an accrual basis during fiscal 2012 consisted primarily of $212.8 million related to increasing packaging capabilities for the Keurig ® brewer platforms, $159.6 million related to facilities and related infrastructure, $49.9 million related to information technology infrastructure and systems, and $40.3 million related to coffee processing and other equipment. For fiscal 2013, we currently expect to invest between $380.0 million to $430.0 million in capital expenditures to support our future growth.

Financing Activities:

Cash used in financing activities for fiscal 2012 totaled $173.1 million. Proceeds from the sale of Filterfresh as well as cash generated from operations were used to reduce our debt and capital lease obligations by $124.1 million, principally under our revolving line of credit. We also used $76.5 million of cash to repurchase approximately 3.1 million of our common shares. On July 30, 2012, our Board of Directors authorized a program ("repurchase program") for the Company to repurchase up to $500.0 million of our common shares over the next two years, at such times and prices as determined by the Company's management. The shares will be purchased with cash on hand, cash from operations, and funds available through our existing credit facility. Cash flows from operating and financing activities included a $12.1 million tax benefit from the exercise of non-qualified options and disqualifying dispositions of incentive stock options. As stock options are exercised, we will continue to receive proceeds and a tax deduction where applicable; however we cannot predict either the amounts or the timing of any such proceeds or tax benefits.

Under the Restated Credit Agreement, we maintain senior secured credit facilities consisting of (i) an $800.0 million U.S. revolving credit facility, (ii) a $200.0 million alternative currency revolving credit facility, and (iii) a term loan A facility. At September 29, 2012, we had $242.2 million outstanding under the term loan A facility, $228.8 million outstanding under the revolving credit facilities and $3.7 million in letters of credit with $767.5 million available for borrowing. The Restated Credit Agreement also provides for an increase option for an aggregate amount of up to $500.0 million.

The term loan A facility requires quarterly principal repayments. The term loan and revolving credit borrowings bear interest at a rate equal to an applicable margin plus, at our option, either (a) a eurodollar rate determined by reference to the cost of funds for deposits for the interest period and currency relevant to such borrowing, adjusted for certain costs, or (b) a base rate determined by reference to the highest of (1) the federal funds rate plus 0.50%, (2) the prime rate announced by Bank of America, N.A. from time to time and (3) the eurodollar rate plus 1.00%. The applicable margin under the Restated Credit Agreement with respect to the term loan A and revolving credit facilities is a percentage per annum varying from 0.5% to 1.0% for base rate loans and 1.5% to 2.0% for eurodollar rate loans, based upon our leverage ratio. Our average effective interest rate at September 29, 2012 and September 24, 2011 was 2.9% and 2.8%, respectively, excluding amortization of deferred financing charges and including the effect of interest rate swap agreements. We also pay a commitment fee on the average daily unused portion of the revolving credit facilities.

All of our assets and the assets of our domestic wholly-owned material subsidiaries are pledged as collateral under the Restated Credit Agreement. The Restated Credit Agreement contains customary negative covenants, subject to certain exceptions, including limitations on: liens; investments; indebtedness; mergers and consolidations; asset sales; dividends and distributions or repurchases of our capital stock; transactions with affiliates; certain burdensome agreements; and changes in our lines of business.

The Restated Credit Agreement requires us to comply on a quarterly basis with a consolidated leverage ratio and a consolidated interest coverage ratio. At September 29, 2012, we were in compliance with these covenants. In addition, the Restated Credit Agreement contains certain mandatory prepayment requirements and customary events on default.

We are party to interest rate swap agreements, the effect of which is to limit the interest rate exposure on a portion of the loans under our credit facilities to a fixed rate versus the 30-day Libor rate. The total notional amount of these swaps at September 29, 2012 was $233.0 million.

The fair market value of the interest rate swaps is the estimated amount that we would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates and the credit worthiness of the counterparty. At September 29, 2012, we estimate we would have paid $9.0 million (gross of tax), if we terminated the swap agreements. We designate the swap agreements as cash flow hedges and the changes in the fair value of these derivatives are classified in accumulated other comprehensive income (a component of equity). During fiscal years 2012, 2011 and 2010, we paid approximately $4.7 million, $3.8 million and $2.3 million, respectively, in additional interest expense pursuant to swap agreements.

We believe that our cash flows from operating activities, existing cash and our credit facilities will provide sufficient liquidity through the next 12 months to pay all liabilities in the normal course of business, fund anticipated capital expenditures, service debt requirements and fund any purchases of our common shares under the repurchase program. We continuously evaluate our capital requirements and access to capital. We may opt to raise additional capital through equity and/or debt financing to provide flexibility to assist with managing several risks and uncertainties inherent in a growing business including potential future acquisitions or increased capital expenditure requirements.

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

	Long-Term Debt (1)	Interest Expense (2)	Operating Lease Obligations	Capital Lease Obligations (3)	Financing Obligations (4)	Purchase Obligations	Total
FY 2013	$ 6,691	$ 7,604	$ 17,101	$ 6,587	$ 816	$ 738,797	$ 777,596
FY 2014 - FY 2015	32,092	13,750	27,503	13,812	10,873	223,036	321,066
FY 2016 - FY 2017	434,248	3,326	15,594	9,977	19,162	199,140	681,447
Thereafter	644	63	22,755	35,817	123,399	79,577	262,255
Total	$ 473,675	$ 24,743	$ 82,953	$ 66,193	$ 154,250	$ 1,240,550	$ 2,042,364

(1) Excludes capital lease obligations.
(2) Based on rates in effect at September 29, 2012. Does not include interest on amounts outstanding under the USD and multi-currency revolving credit facilities.
(3) Includes principal and interest payments under capital lease obligations.
(4) Represents portion of the future minimum lease payments allocated to the building which will be recognized as reductions to the financing obligation and interest expense upon completion of construction.

In addition, we have $24.0 million in unrecognized tax benefits primarily as the result of acquisitions of which we are indemnified for $16.6 million expiring through June 2015. We are unable to make reasonably reliable estimates of the period of cash settlement, if any, due to the uncertain nature of the unrecognized tax benefits.

Factors Affecting Quarterly Performance

Historically, the Company has experienced variations in sales and earnings from quarter to quarter due to the holiday season and a variety of other factors, including, but not limited to, the cost of green coffee, competitor initiatives, marketing programs, weather and special or unusual events. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which we prepare in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (see Note 2, *Significant Accounting Policies,* to our Consolidated Financial Statements included in this Annual Report on Form 10-K). Actual results could differ from those estimates. We believe the following accounting policies and estimates require us to make the most difficult judgments in the preparation of our consolidated financial statements and accordingly are critical.

Goodwill and Intangibles

Goodwill is tested for impairment annually at the end of our fiscal year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is assigned to reporting units for purposes of impairment testing. A reporting unit is the same as an operating segment or one level below an operating segment. We have defined four reporting units in our evaluation of goodwill for potential impairment: SCBU; KBU; CBU - Roasting and Retail; and CBU - Coffee Services Canada, based on the availability of discrete financial information that is regularly reviewed by management. We may assess qualitative factors to determine if it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the first step of a two-step goodwill impairment test. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any reporting unit in any period and perform the first step of the quantitative goodwill impairment test. We may resume performing the qualitative assessment in any subsequent period. The first step is a comparison of each reporting unit's fair value to its carrying value. We estimate fair value based on discounted cash flows. The reporting unit's discounted cash flows require significant management judgment with respect to sales forecasts, gross margin percentages, selling, operating, general and administrative ("SG&A") expenses, capital expenditures and the selection and use of an appropriate discount rate. The projected sales, gross margin and SG&A expense rate assumptions and capital expenditures are based on our annual business plan or other forecasted results. Discount rates reflect market-based estimates of the risks associated with the projected cash flows directly resulting from the use of those assets in operations. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. If the carrying value of a reporting unit exceeds its estimated fair value in the first step, a second step is performed, which requires us to allocate the fair value of the reporting unit derived in the first step to the fair value of the reporting unit's net assets, with any fair value in excess of amounts allocated to such net assets representing the implied fair value of goodwill for that reporting unit. If the implied fair value of the goodwill is less than the book value, goodwill is impaired and is written down to the implied fair value amount.

Intangible assets that have finite lives are amortized over their estimated economic useful lives on a straight line basis. Intangible assets that have indefinite lives are not amortized and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual indefinite-lived intangible asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

Due to the inherent uncertainty involved in estimating sales growth and related expense growth, we believe that these are critical estimates for us. We have not made any material changes to the accounting methodology we use to assess the necessity of an impairment charge, either for goodwill or for both finite and indefinite-lived intangible assets. Based upon the results of our fiscal 2012 impairment tests (See Note 7, *Goodwill and Intangible Assets,* of the Notes to Consolidated Financial Statements included in this Annual Report), there were no impairment charges recognized for goodwill or intangible assets. Further, the fair values of all reporting units were significantly in excess of the carrying values. As we continually reassess our fair value assumptions, including estimated future cash flows, changes in our estimates and assumptions could cause us to recognize future material charges.

Impairment of Long-Lived Assets

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

Sales Return Allowance

Sales of single cup coffee brewers, single serve packs and other coffee products are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and rebates. We estimate the allowance for returns using an average return rate based on historical experience and an evaluation of contractual rights or obligations. A 10 percentage point increase in our sales return reserve would have resulted in additional expense of $3.2 million in the accompanying fiscal 2012 Consolidated Statement of Operations.

Product Warranty

We provide for the estimated cost of product warranties in cost of sales, at the time product revenue is recognized. Warranty costs are estimated primarily using historical warranty information in conjunction with current engineering assessments applied to our expected repair or replacement costs. The estimate for warranties requires assumptions relating to expected warranty claims which can be impacted significantly by quality issues. We currently believe that our warranty reserves are adequate; however, there can be no assurance that we will not experience some additional warranty expense in future periods related to previously sold brewers. A 10 percentage point increase in overall claims estimate would have resulted in additional expense, net of recoveries, of approximately $3.7 million in the accompanying fiscal 2012 Consolidated Statement of Operations.

Inventories

Inventories consist primarily of green and roasted coffee, including coffee in portion packs, purchased finished goods such as coffee brewers, and packaging materials. Inventories are stated at the lower of cost or market. Cost is being measured using an adjusted standard cost method which approximates FIFO (first-in first-out). We regularly review whether the net realizable value of our inventory is lower than its carrying value. Based upon the specific identification method, if the valuation shows that the net realizable value is lower than the carrying value, we take a charge to expense and reduce the carrying value of the inventory.

We estimate any required write downs for inventory obsolescence by examining our inventories on a quarterly basis to determine if there are indicators that the carrying values could exceed net realizable value. Indicators that could result in additional inventory write downs include age of inventory, damaged inventory, slow moving products and products at the end of their life cycles. While based on our historical experience, we believe that inventory is appropriately stated at the lower of cost or market, significant judgment is involved in determining the net realizable value of inventory.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") that provides amendments for disclosures about offsetting assets and liabilities. The amendments require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Disclosures required by the amendments should be provided retrospectively for all comparative periods presented. For us, the amendment is effective for fiscal year 2014. We are currently evaluating the impact these amendments may have on its disclosures.

In June 2011, the Financial Accounting Standards Board issued an ASU that provides amendments on the presentation of comprehensive income. The amendments require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments do not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. In both cases, the tax effect for each component must be disclosed in the notes to the financial statements or presented in the statement in which other comprehensive income is presented. The amendments do not affect how earnings per share is calculated or presented. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. For us the amendment is effective for fiscal 2013. The effect of adoption will have minimal impact on us as our current presentation of comprehensive income follows the two-statement approach.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of certain letters of credit and are detailed in Note 10, *Long-Term Debt,* of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K. We do not have, nor do we engage in, transactions with any special purpose entities.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

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

Interest rate risks

The table below provides information about our debt obligations, some of which are sensitive to changes in interest rates. The table presents principal cash flows and weighted average interest rates by fiscal year:

	2013	2014	2015	2016	2017	Thereafter	Total Debt Outstanding and average effective interest rate at September 29, 2012
Variable rate (in thousands)	$ 6,250	$ —	$ —	$ 231,724	$ —	$ —	$ 237,974
Average interest rate	2.1%	2.1%	2.1%	2.1%	0.0%	0.0%	2.1%
Fixed rate (in thousands)	$ 441	$ 12,922	$ 19,170	$ 202,129	$ 395	$ 644	$ 235,701
Average interest rate	3.7%	3.7%	3.7%	3.7%	4.0%	4.0%	3.7%

At September 29, 2012, we had $238.0 million of outstanding debt obligations subject to variable interest rates. Should all our variable interest rates increase by 100 basis points, we would incur additional interest expense of $2.4 million annually. Additionally, should Canadian Bankers' Acceptance Rates increase by 100 basis points over US Libor rates, we would incur additional interest expense of $1.4 million annually, pursuant to the cross-currency swap agreement (see *Foreign Currency Exchange Risk* below). As discussed further under the heading *Liquidity and Capital Resources* the Company is party to interest rate swap agreements. On September 29, 2012, the effect of our interest rate swap agreements was to limit the interest rate exposure on $233.0 million of the outstanding balance of the term loan A facility under the Restated Credit Agreement to a fixed rate versus the 30-day Libor rate. The total notional amount covered by these swaps will decrease progressively in future periods and terminates on various dates from December 2012 through November 2015.

Commodity price risks

The "C" price of coffee is subject to substantial price fluctuations caused by multiple factors, including but not limited to weather and political and economic conditions in coffee-producing countries. Our gross profit margins can be significantly impacted by changes in the "C" price of coffee. We enter into fixed coffee purchase commitments in an attempt to secure an adequate supply of coffee. These agreements are tied to specific market prices (defined by both the origin of the coffee and the time of delivery) but we have significant flexibility in selecting the date of the market price to be used in each contract. We generally fix the price of our coffee contracts three to nine months prior to delivery, so that we can adjust our sales prices to the marketplace. At September 29, 2012, the Company had approximately $323.6 million in green coffee purchase commitments, of which approximately 90% had a fixed price. At September 24, 2011, the Company had approximately $556.2 million in green coffee purchase commitments, of which approximately 77% had a fixed price.

Commodity price risks at September 29, 2012 are as follows (in thousands):

Purchase commitments	Total Cost(1)	Pounds	Average "c" Price
Fixed	$ 291,990	115,769	$ 1.89
Variable	$ 31,630	13,942	$ 1.80
	$ 323,620	129,711	

(1) Total coffee costs typically include a premium or "differential" in addition to the "C" price. Fixed purchase commitments include $17.9 million in fixed coffee prices (5.0 million pounds) that are not determined by the "C" price.

We regularly use commodity-based financial instruments to hedge price-to-be-established coffee purchase commitments with the objective of minimizing cost risk due to market fluctuations. These hedges generally qualify as cash flow hedges. Gains and losses are deferred in other comprehensive income until the hedged inventory sale is recognized in earnings, at which point gains and losses are added to cost of sales. At September 29, 2012, we held outstanding futures contracts covering 3.2 million pounds of coffee with a fair market value of (0.3) million, gross of tax. At September 24, 2011, we held outstanding futures contracts covering 3.1 million pounds of coffee with a fair market value of (0.4) million, gross of tax. Purchase commitments hedged with financial instruments are classified as fixed in the table above.

At September 29, 2012, we are exposed to approximately $31.6 million in un-hedged green coffee purchase commitments that do not have a fixed price as compared to $119.9 million in un-hedged green coffee purchase commitments that did not have a fixed price at September 24, 2011. A hypothetical 10% movement in the "C" price would increase or decrease our financial commitment for these purchase commitments outstanding at September 29, 2012 by approximately $3.2 million.

Foreign currency exchange rate risk

Our foreign operations are primarily related to CBU, which is subject to risks, including, but not limited to, unique economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be materially adversely affected by changes in these or other factors. We also source our green coffee, certain production equipment, and components of our brewers and manufacturing of our brewers from countries outside the United States, which are subject to the same risks described for Canada above; however, most of our green coffee and brewer purchases are transacted in the United States dollar.

The majority of the transactions conducted by our CBU are in the Canadian dollar. As a result, our revenues are adversely affected when the United States dollar strengthens against the Canadian dollar and are positively affected when the United States dollar weakens against the Canadian dollar. Conversely, our expenses are positively affected when the United States dollar strengthens against the Canadian dollar and adversely affected when the United States dollar weakens against the Canadian dollar.

As described in Note 11, *Derivative Financial Instruments* , in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K, from time to time we engage in transactions involving various derivative instruments to mitigate our foreign currency rate exposures. More specifically, we hedge, on a net basis, the foreign currency exposure of a portion of our assets and liabilities that are denominated in Canadian dollars. These contracts are recorded at fair value and are not designated as hedging instruments for accounting purposes. As a result, the changes in fair value are recognized in the *Gain (loss) on financial instruments, net* line in the Consolidated Statements of Operations. We do not engage in speculative transactions, nor do we hold derivative instruments for trading purposes.

At September 29, 2012 we had a 4-year cross-currency swap of CDN $140.0 million that was not designated as a hedging instrument for accounting purposes, which largely offsets the financial impact of the re-measurement of an inter-company note receivable denominated in Canadian dollars for the same amount. Principal payments on the cross-currency swap are settled on an annual basis to match the repayments on the note receivable and the cross-currency swap is adjusted to fair value each period. Increases or decreases in the cross-currency swap are generally offset by corresponding decreases or increases in the U.S. dollar value of the Canadian dollar inter-company note. We also have some naturally occurring hedges where increases or decreases in the foreign currency exchange rates on other inter-company balances denominated in Canadian dollars, are largely offset by increases or decreases associated with Canadian dollar-denominated borrowings under our alternative currency revolving credit facility.

In addition, we use foreign currency forward contracts to hedge certain capital purchase liabilities for production equipment with the objective of minimizing cost risk due to market fluctuations. We designate these contracts as fair value hedges and measure the effectiveness of these derivative instruments at each balance sheet date. The changes in the fair value of these instruments along with the changes in the fair value of the hedged liabilities are recognized in net gains or losses on foreign currency on the consolidated statements of operations. We had no outstanding foreign currency forward contracts at September 29, 2012.

The market risk associated with the foreign currency exchange rate movements on foreign exchange contracts is expected to mitigate the market risk of the underlying obligation being hedged. Our net un-hedged assets (liabilities) denominated in a currency other than the functional currency were approximately $7.1 million at September 29, 2012. A hypothetical 10% movement in the foreign currency exchange rate would increase or decrease net assets (liabilities) by approximately $0.7 million with a corresponding charge to operations. In addition, at September 29, 2012 our net investment in our foreign subsidiaries with a functional currency different from our reporting currency was approximately $578.3 million. A hypothetical 10% movement in the foreign currency exchange rate would increase or decrease our net investment in our foreign subsidiaries by approximately $57.8 million with a corresponding charge to other comprehensive income.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Green Mountain Coffee Roasters, Inc. and its subsidiaries at September 29, 2012 and September 24, 2011, and the results of their operations and their cash flows for each of the three years in the period ended September 29, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 29, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, MA
November 27, 2012

Green Mountain Coffee Roasters, Inc.

Consolidated Balance Sheets
(Dollars in thousands)

	September 29, 2012	September 24, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 58,289	$ 12,989
Restricted cash and cash equivalents	12,884	27,523
Receivables, less uncollectible accounts and return allowances of $34,517 and $21,407 at September 29, 2012 and September 24, 2011, respectively	363,771	310,321
Inventories	768,437	672,248
Income taxes receivable	32,943	18,258
Other current assets	35,019	28,072
Deferred income taxes, net	51,613	36,231
Current assets held for sale	—	25,885
Total current assets	1,322,956	1,131,527
Fixed assets, net	944,296	579,219
Intangibles, net	498,352	529,494
Goodwill	808,076	789,305
Other long-term assets	42,109	47,759
Long-term assets held for sale	—	120,583
Total assets	$ 3,615,789	$ 3,197,887
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 6,691	$ 6,664
Current portion of capital lease and financing obligations	3,057	5
Accounts payable	279,577	265,511
Accrued compensation costs	38,458	43,260
Accrued expenses	132,992	92,120
Income tax payable	29,322	9,617
Deferred income taxes, net	245	243
Other current liabilities	29,645	34,613
Current liabilities related to assets held for sale	—	19,341
Total current liabilities	519,987	471,374
Long-term debt, less current portion	466,984	575,969
Capital lease and financing obligations, less current portion	54,794	—
Deferred income taxes, net	270,348	189,637
Other long-term liabilities	32,544	27,184
Long-term liabilities related to assets held for sale	—	474
Commitments and contingencies (See Notes 5 and 19)		
Redeemable noncontrolling interests	9,904	21,034
Stockholders' equity:		
Preferred stock, $0.10 par value: Authorized - 1,000,000 shares; No shares issued or outstanding	—	—
Common stock, $0.10 par value: Authorized - 500,000,000 shares; Issued and outstanding - 152,680,855 and 154,466,463 shares at September 29, 2012 and September 24, 2011, respectively	15,268	15,447
Additional paid-in capital	1,464,560	1,499,616
Retained earnings	771,200	411,727
Accumulated other comprehensive income (loss)	10,200	(14,575)
Total stockholders' equity	$ 2,261,228	$ 1,912,215
Total liabilities and stockholders' equity	$ 3,615,789	$ 3,197,887

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

Green Mountain Coffee Roasters, Inc.

Consolidated Statements of Operations
(Dollars in thousands except per share data)

	Fiscal years ended		
	September 29, 2012	September 24, 2011	September 25, 2010
Net sales	$ 3,859,198	$ 2,650,899	$ 1,356,775
Cost of sales	2,589,799	1,746,274	931,017
Gross profit	1,269,399	904,625	425,758
Selling and operating expenses	481,493	348,696	186,418
General and administrative expenses	219,010	187,016	100,568
Operating income	568,896	368,913	138,772
Other income (expense), net	1,819	648	85
Loss on financial instruments, net	(4,945)	(6,245)	(354)
Gain (loss) on foreign currency, net	7,043	(2,912)	—
Gain on sale of subsidiary	26,311	—	—
Interest expense	(22,983)	(57,657)	(5,294)
Income before income taxes	576,141	302,747	133,209
Income tax expense	(212,641)	(101,699)	(53,703)
Net Income	$ 363,500	$ 201,048	$ 79,506
Net income attributable to noncontrolling interests	872	1,547	—
Net income attributable to GMCR	$ 362,628	$ 199,501	$ 79,506
Basic income per share:			
Basic weighted average shares outstanding	154,933,948	146,214,860	131,529,412
Net income per common share—basic	$ 2.34	$ 1.36	$ 0.60
Diluted income per share:			
Diluted weighted average shares outstanding	159,075,646	152,142,434	137,834,123
Net income per common share—diluted	$ 2.28	$ 1.31	$ 0.58

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

Green Mountain Coffee Roasters, Inc.

Consolidated Statements of Comprehensive Income
(Dollars in thousands)

	Fiscal years ended		
	September 29, 2012	September 24, 2011	September 25, 2010
Net income	$ 363,500	$ 201,048	$ 79,506
Other comprehensive income (loss):			
Deferred gain (loss) on derivatives designated as cash flow hedges, net of tax (provision)/benefit of $0.5 million, $3.0 million and $(0.2) million, respectively	(736)	(4,486)	352
(Gain) loss on derivatives designated as cash flow hedges reclassified to net income, net of tax (provision)/benefit of $0.5 million, $0.2 million and $(0.1) million, respectively	810	250	(112)
Foreign currency translation adjustment	25,353	(8,895)	—
Other comprehensive income (loss)	25,427	(13,131)	240
Total comprehensive income	388,927	187,917	79,746
Total comprehensive income attributable to redeemable noncontrolling interests, net of tax	1,524	1,361	—
Total comprehensive income attributable to GMCR	$ 387,403	$ 186,556	$ 79,746

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

Green Mountain Coffee Roasters, Inc.

Consolidated Statements of Changes in Redeemable Noncontrolling Interests and Stockholders' Equity
For the three fiscal years in the period ended September 29, 2012 (Dollars in thousands)

	Equity Attributable to Redeemable Noncontrolling Interests	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	ESOP unallocated Shares	ESOP unallocated Amount	Stockholders' Equity
Balance at September 26, 2009	$ —	130,811,052	$ 13,081	$ 441,875	$134,338	$ (1,870)	(38,060)	$ (74)	$ 587,350
Options exercised	—	1,840,661	184	4,586	—	—	—	—	4,770
Issuance of common stock under employee stock purchase plan	—	171,872	17	3,999	—	—	—	—	4,016
Allocation of ESOP shares	—	—	—	1,302	—	—	38,060	74	1,376
Stock compensation expense	—	—	—	7,949	—	—	—	—	7,949
Tax benefit from exercise of options	—	—	—	13,877	—	—	—	—	13,877
Deferred compensation expense	—	—	—	161	—	—	—	—	161
Other comprehensive income, net of tax	—	—	—	—	—	240	—	—	240
Net income	—	—	—	—	79,506	—	—	—	79,506
Balance at September 25, 2010	$ —	132,823,585	$ 13,282	$ 473,749	$213,844	$ (1,630)	—	$ —	$ 699,245
Sale of common stock for private placement	—	9,174,991	918	290,178	—	—	—	—	291,096
Options exercised	—	2,839,426	284	11,096	—	—	—	—	11,380
Issuance of common stock under employee stock purchase plan	—	148,917	15	5,933	—	—	—	—	5,948
Issuance of common stock for public equity offering	—	9,479,544	948	646,415	—	—	—	—	647,363
Stock compensation expense	—	—	—	10,361	—	—	—	—	10,361
Tax benefit from exercise of options	—	—	—	61,670	—	—	—	—	61,670
Deferred compensation expense	—	—	—	214	—	—	—	—	214
Purchase noncontrolling interests	19,118	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to redemption value	1,618	—	—	—	(1,618)	—	—	—	(1,618)
Cash distributions	(1,063)	—	—	—	—	—	—	—	—
Other comprehensive income, net of tax	(186)	—	—	—	—	(12,945)	—	—	(12,945)
Net income	1,547	—	—	—	199,501	—	—	—	199,501
Balance at September 24, 2011	$ 21,034	154,466,463	$ 15,447	$1,499,616	$411,727	$ (14,575)	—	$ —	$ 1,912,215
Options exercised	—	940,369	94	3,300	—	—	—	—	3,394
Issuance of common stock under employee stock purchase plan	—	301,971	30	8,668	—	—	—	—	8,698
Restricted stock awards and units	—	55,747	5	(5)	—	—	—	—	—
Issuance of common stock under deferred compensation plan	—	37,005	4	(4)	—	—	—	—	—
Repurchase of common stock	—	(3,120,700)	(312)	(76,158)	—	—	—	—	(76,470)
Stock compensation expense	—	—	—	17,868	—	—	—	—	17,868
Tax benefit from equity-based compensation plans	—	—	—	11,064	—	—	—	—	11,064
Deferred compensation expense	—	—	—	211	—	—	—	—	211
Disposition of noncontrolling interest	(10,331)	—	—	—	—	—	—	—	—
Redeemable noncontrolling interest included in other long-term liabilities	(4,708)	—	—	—	—	—	—	—	—
Adjustment of redeemable noncontrolling interests to redemption value	3,155	—	—	—	(3,155)	—	—	—	(3,155)
Cash distributions	(513)	—	—	—	—	—	—	—	—
Other comprehensive income, net of tax	455	—	—	—	—	24,775	—	—	24,775
Net income	812	—	—	—	362,628	—	—	—	362,628

Balance at September 29, 2012	$ 9,904	152,680,855	$ 15,268	$1,464,560	$771,200	$ 10,200	—	$ —	$ 2,261,228

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

Green Mountain Coffee Roasters, Inc.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Fiscal years ended		
	September 29, 2012	September 24, 2011	September 25, 2010
Cash flows from operating activities:			
Net income	$ 363,500	$ 201,048	$ 79,506
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	135,656	72,297	29,484
Amortization of intangibles	45,991	41,339	14,973
Amortization deferred financing fees	6,050	6,158	862
Loss on extinguishment of debt	—	19,732	—
Unrealized (gain) loss of foreign currency	(6,557)	1,041	—
Loss on disposal of fixed assets	2,517	884	573
Gain on sale of subsidiary, excluding transaction costs	(28,914)	—	—
Provision for doubtful accounts	3,197	2,584	610
Provision for sales returns	107,436	64,457	40,139
Unrealized loss (gain) on financial instruments, net	6,310	3,292	(188)
Tax benefit from exercise of non-qualified options and disqualified dispositions of incentive stock options	(1,006)	(6,142)	(713)
Excess tax benefits from equity-based compensation plans	(12,070)	(67,813)	(14,590)
Deferred income taxes	60,856	(8,828)	(6,931)
Deferred compensation and stock compensation	18,079	10,575	8,110
Contributions to the ESOP	—	—	1,376
Other	334	—	—
Changes in assets and liabilities, net of effects of acquisition:			
Receivables	(159,317)	(157,329)	(102,297)
Inventories	(92,862)	(375,709)	(116,653)
Income tax receivable/payable, net	16,457	63,487	10,065
Other current assets	(6,900)	(715)	(10,692)
Other long-term assets, net	(469)	(11,454)	(5,349)
Accounts payable	(17,668)	106,202	41,007
Accrued compensation costs	(4,908)	2,233	(1,830)
Accrued expenses	39,701	25,600	23,405
Other current liabilities	(2,718)	(3,118)	1,645
Other long-term liabilities	5,090	10,964	5,191
Net cash provided by (used in) operating activities	477,785	785	(2,297)
Cash flows from investing activities:			
Change in restricted cash	(2,875)	2,074	(75)
Proceeds from sale of short-term investments	—	—	50,000
Acquisition of Timothy’s Coffee of the World Inc.	—	—	(154,208)
Acquisition of Diedrich Coffee, Inc., net of cash acquired	—	—	(305,261)
Acquisition of LJVH Holdings, Inc. (Van Houtte), net of cash acquired	—	(907,835)	—
Proceeds from the sale of subsidiary, net of cash acquired	137,733	—	—
Capital expenditures for fixed assets	(401,121)	(283,444)	(126,205)
Other investing activities	618	1,533	2,314
Net cash used in investing activities	(265,645)	(1,187,672)	(533,435)
Cash flows from financing activities:			
Net change in revolving line of credit	(108,727)	333,835	145,000
Proceeds from issuance of common stock under compensation plans	12,092	17,328	8,788
Proceeds from issuance of common stock for private placement	—	291,096	—
Proceeds from issuance of common stock for public equity offering	—	673,048	—
Financing costs in connection with public equity offering	—	(25,685)	—
Repurchase of common stock	(76,470)	—	—
Excess tax benefits from equity-based compensation plans	12,070	67,813	14,590
Payments on capital lease and financing obligations	(7,558)	(8)	(217)
Proceeds from borrowings of long-term debt	—	796,375	140,000
Deferred financing fees	—	(46,009)	(1,339)
Repayment of long-term debt	(7,814)	(906,885)	(8,500)
Other financing activities	3,283	(1,063)	—
Net cash (used in) provided by financing activities	(173,124)	1,199,845	298,322
Change in cash balances included in current assets held for sale	5,160	(5,160)	—
Effect of exchange rate changes on cash and cash equivalents	1,124	790	—

Net increase (decrease) in cash and cash equivalents	45,300	8,588	(237,410)
Cash and cash equivalents at beginning of period	12,989	4,401	241,811
Cash and cash equivalents at end of period	$ 58,289	$ 12,989	$ 4,401
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 20,783	$ 33,452	$ 6,486
Cash paid for income taxes	$ 136,407	$ 58,182	$ 42,313
Fixed asset purchases included in accounts payable and not disbursed at the end of each year	$ 56,127	$ 25,737	$ 20,261
Noncash financing and investing activity:			
Fixed assets acquired under capital lease and financing obligations	$ 66,531	$ —	$ —
Noncash investing activity:			
Liabilities assumed in conjunction with acquisitions	$ —	$ —	$ 1,533

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

Green Mountain Coffee Roasters, Inc.

Notes to Consolidated Financial Statements

1. Nature of Business and Organization

Green Mountain Coffee Roasters, Inc. (together with its subsidiaries, "the Company") is a leader in the specialty coffee and coffeemaker businesses. Green Mountain Coffee Roasters, Inc. is a Delaware corporation.

The Company manages its operations through three business segments, the Specialty Coffee business unit ("SCBU"), the Keurig business unit ("KBU") and the Canadian business unit ("CBU").

SCBU sources, produces and sells coffee, hot cocoa, teas and other beverages, to be prepared hot or cold, in K-Cup ® and Vue ® packs ("single serve packs") and coffee in more traditional packaging including whole bean and ground coffee selections in bags and ground coffee in fractional packs. These varieties are sold to supermarkets, club stores and convenience stores, restaurants and hospitality, office coffee distributors and also directly to consumers in the United States. In addition, SCBU sells Keurig ® Single Cup Brewing systems and other accessories to supermarkets and directly to consumers.

KBU targets its premium patented single cup brewing systems for use both at-home ("AH") and away-from-home ("AFH"), in the United States. KBU sells AH single cup brewers, accessories and coffee, tea, cocoa and other beverages in single serve packs produced mainly by SCBU and CBU primarily to retailers, department stores and mass merchandisers principally processing its sales orders through fulfillment entities for the AH channels. KBU sells AFH single cup brewers to distributors for use in offices. KBU also sells AH brewers, a limited number of AFH brewers and single serve packs directly to consumers. KBU earns royalty income from K-Cup ® packs when shipped by its third party licensed roasters, except for shipments of K-Cup ® packs to KBU, for which the royalty is recognized as a reduction to the carrying cost of the inventory and as a reduction to cost of sales when sold through to third parties by KBU. In addition, through the second quarter of fiscal 2011, KBU earned royalty income from K-Cup ® packs when shipped by SCBU and CBU.

CBU sources, produces and sells coffees and teas and other beverages in a variety of packaging formats, including K-Cup ® packs, and coffee in more traditional packaging such as bags, cans and fractional packs, and under a variety of brands. The varieties are sold primarily to supermarkets, club stores and, through office coffee services to offices, convenience stores and restaurants throughout Canada. CBU began selling the Keurig ® K-Cup ® Single Cup Brewing system, accessories and coffee, tea, cocoa, and other beverages in K-Cup ® packs to retailers, department stores and mass merchandisers in Canada for the AH channels in the first quarter of 2012. CBU also manufactures brewing equipment and is responsible for all of the Company's coffee brand sales in the grocery channel in Canada. The CBU segment included Filterfresh through October 3, 2011, the date of sale (see Note 2, *Acquisitions and Divestitures*).

The Company's fiscal year ends on the last Saturday in September. Fiscal years 2012, 2011 and 2010 represent the years ended September 29, 2012, September 24, 2011 and September 25, 2010, respectively. Fiscal 2012 consists of 53 weeks and fiscal years 2011 and 2010 each consist of 52 weeks.

2. Significant Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect amounts reported in the accompanying Consolidated Financial Statements. Significant estimates and assumptions by management affect the Company's allowance for doubtful accounts, inventory, deferred tax assets, allowance for sales returns, warranty reserves and certain accrued expenses, goodwill, intangible and long-lived assets and stock-based compensation.

Although the Company regularly assesses these estimates, actual results could differ from these estimates. Changes in estimates are recorded in the period they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and all of the entities in which the Company has a controlling financial interest, most often because the Company holds a majority voting/ownership interest. The Company also evaluates if it is required to apply the Variable Interest Entity ("VIE") model to determine if it holds a controlling financial interest in an entity. All significant intercompany transactions and accounts are eliminated in consolidation.

The Company has a controlling financial interest in a VIE if it has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives the Company the right to receive benefits from the VIE that could potentially be significant to the VIE or the obligation to absorb losses of the VIE that could potentially be significant losses to the VIE. When changes occur to the design of an entity, the Company reconsiders whether it is subject to the VIE model. The Company continuously evaluates whether it has a controlling financial interest in a VIE. A portion of the Company's coffee services business included in the CBU segment operates through non-wholly owned subsidiaries in which the Company has a controlling financial interest either through majority ownership or through the VIE model.

Entities in which the Company does not have a controlling financial interest, but over which it has significant influence, most often because it holds a voting/ownership interest of 20% to 50% are accounted for as equity method investments. Currently, the Company does not have any investments accounted for under the equity method.

Noncontrolling Interests

Noncontrolling interests ("NCI") are evaluated by the Company and are shown as either a liability, temporary equity (shown between liabilities and equity) or as permanent equity depending on the nature of the redeemable features at amounts based on formulas specific to each entity. Generally, mandatorily redeemable NCI's are classified as liabilities and non-mandatory redeemable NCI's are classified as either temporary or permanent equity. The Company classifies redeemable noncontrolling interests that are not mandatorily redeemable outside of shareholders' equity in the Consolidated Balance Sheets as temporary equity under the caption, *Redeemable noncontrolling interests*, and measures it at the redemption value at the end of each period. If the redemption value is greater than the carrying value, an adjustment is recorded in retained earnings to record the noncontrolling interest at its redemption value. The Company classifies the mandatorily redeemable noncontrolling interest as a liability in the Consolidated Balance Sheet under the caption, *Other long-term liabilities* , and measures the liability at the amount of cash that would be paid if settlement occurred at the balance sheet date based on the formula in the shareholder agreement with any change from the prior period recognized as interest expense.

Net income attributable to noncontrolling interests reflects the portion of the net income (loss) of consolidated entities applicable to the noncontrolling interest partners in the accompanying Consolidated Statements of Operations. The net income attributable to noncontrolling interests is classified in the Consolidated Statements of Operations as part of consolidated net income and deducted from total consolidated net income to arrive at the net income attributable to the Company.

If a change in ownership of consolidated subsidiary results in a loss of control or deconsolidation, any retained ownership interests are remeasured with the gain or loss reported to net earnings.

Business Combinations

The Company uses the acquisition method of accounting for business combinations and recognizes assets acquired and liabilities assumed measured at their fair values on the date acquired. Goodwill represents the excess of the purchase price over the fair value of the net assets. The fair values of the assets and liabilities acquired are determined based upon the Company's valuation. The valuation involves making significant estimates and assumptions which are based on detailed financial models including the projection of future cash flows, the weighted average cost of capital and any cost savings that are expected to be derived in the future.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original 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 fair value. The Company does not believe that it is subject to any unusual credit or market risk.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents cash that is not available for use in our operations. Restricted cash of $12.9 million and $27.5 million as of September 29, 2012 and September 24, 2011, respectively, consists primarily of cash placed in escrow related to our acquisition of Van Houtte.

Allowance for Doubtful Accounts

Periodically, management reviews the adequacy of its provision for doubtful accounts based on historical bad debt expense results using factors applied based on the aging of its accounts receivable. Additionally, the Company may identify additional allowance requirements based on indications that a specific customer may be experiencing financial difficulties.

Inventories

Inventories consist primarily of green and roasted coffee, including coffee in portion packs, purchased finished goods such as coffee brewers, and packaging materials. Inventories are stated at the lower of cost or market. Cost is being measured using an adjusted standard cost method which approximates FIFO (first-in, first-out). The Company regularly reviews whether the net realizable value of its inventory is lower than its carrying value. If the valuation shows that the net realizable value is lower than the carrying value, the Company takes a charge to cost of sales and directly reduces the carrying value of the inventory.

The Company estimates any required write downs for inventory obsolescence by examining its inventories on a quarterly basis to determine if there are indicators that the carrying values exceed net realizable value. Indicators that could result in additional inventory write downs include age of inventory, damaged inventory, slow moving products and products at the end of their life cycles. While management believes that inventory is appropriately stated at the lower of cost or market, significant judgment is involved in determining the net realizable value of inventory.

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. Cash, cash equivalents, accounts receivable, accounts payable and accrued expenses are reported at carrying value and approximate fair value due to the short maturity of these instruments. Long-term debt is also reported at carrying value, which approximates fair value due to the fact that the interest rate on the debt is based on variable interest rates.

The fair values of derivative financial instruments have been determined using market information and valuation methodologies. Changes in assumptions or estimates could affect the determination of fair value; however, management does not believe any such changes would have a material impact on the Company's financial condition, results of operations or cash flows. The fair values of short-term investments and derivative financial instruments are disclosed in Note 12, *Fair Value Measurements* , in the Consolidated Financial Statements included in this Annual Report.

Derivative Instruments

The Company enters into over-the-counter derivative contracts based on coffee futures ("coffee futures") to hedge against price increases in price-to-be-fixed coffee purchase commitments and anticipated coffee purchases. Coffee purchases are generally denominated in the U.S. dollar. The Company also enters into interest rate swap agreements to mitigate interest rate risk associated with the Company's variable-rate borrowings and foreign currency forward contracts to hedge certain recognized liabilities in currencies other than the Company's functional currency. All derivatives are recorded at fair value. Interest rate swaps and coffee futures are designated as cash flow hedges with the effective portion of the change in the fair value of the derivative instrument recorded as a component of other comprehensive income ("OCI") and subsequently reclassified into net earnings when the hedged exposure affects net earnings. Foreign currency forward contracts are designated as fair value hedges with the changes in the fair value of these instruments along with the changes in the fair value of the hedged liabilities recognized in *gain or loss on foreign currency, net* in the consolidated statements of operations.

Effectiveness is determined by how closely the changes in the fair value of the derivative instrument offset the changes in the fair value of the hedged item. The ineffective portion of the change in the fair value of the derivative instrument is recorded directly to earnings.

The Company formally documents hedging instruments and hedged items, and measures at each balance sheet date the effectiveness of its hedges. When it is determined that a derivative is not highly effective, the derivative expires, or is sold or terminated, or the derivative is discontinued because it is unlikely that a forecasted transaction will occur, the Company discontinues hedge accounting prospectively for that specific hedge instrument.

The Company also enters into certain foreign currency and interest rate derivative contracts to hedge certain foreign currency exposures that are not designated as hedging instruments for accounting purposes. These contracts are recorded at fair value, with the changes in fair value recognized in *gain (loss) on financial instruments, net* in the Consolidated Statements of Operations.

The Company does not engage in speculative transactions, nor does it hold derivative instruments for trading purposes. See Note 11, *Derivative Financial Instruments* and Note 14, *Stockholders' Equity* in the Consolidated Financial Statements included in this Annual Report for further information.

Deferred Financing Costs

Deferred financing costs consist primarily of commitment fees and loan origination fees and are being amortized over the respective life of the applicable debt using a method that approximates the effective interest rate method. Deferred financing costs included in other long-term assets in the accompanying Consolidated Balance Sheets as of September 29, 2012 and September 24, 2011 were $22.3 million and $28.4 million, respectively.

Goodwill and Intangibles

Goodwill is tested for impairment annually at the end of the Company's fiscal year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is assigned to reporting units for purposes of impairment testing. A reporting unit is the same as an operating segment or one level below an operating segment. The Company may assess qualitative factors to determine if it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, no further testing is necessary. If, however, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs the first step of a two-step goodwill impairment test. The assessment of qualitative factors is optional and at the Company's discretion. The Company may bypass the qualitative assessment for any reporting unit in any period and perform the first step of the quantitative goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. The first step is a comparison of each reporting unit's fair value to its carrying value. The Company estimates fair value based on discounted cash flows. The reporting unit's discounted cash flows require significant management judgment with respect to sales forecasts, gross margin percentages, selling, operating, general and administrative ("SG&A") expenses, capital expenditures and the selection and use of an appropriate discount rate. The projected sales, gross margin and SG&A expense rate assumptions and capital expenditures are based on the Company's annual business plan or other forecasted results. Discount rates reflect market-based estimates of the risks associated with the projected cash flows directly resulting from the use of those assets in operations. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. If the carrying value of a reporting unit exceeds its estimated fair value in the first step, a second step is performed, which requires the Company to allocate the fair value of the reporting unit derived in the first step to the fair value of the reporting unit's net assets, with any fair value in excess of amounts allocated to such net assets representing the implied fair value of goodwill for that reporting unit. If the implied fair value of the goodwill is less than the book value, goodwill is impaired and is written down to the implied fair value amount.

Intangible assets that have finite lives are amortized over their estimated economic useful lives on a straight line basis. Intangible assets that have indefinite lives are not amortized and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, the Company may assess qualitative factors to determine if it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If the Company determines that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, the Company determines that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, the Company compares the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual indefinite-lived intangible asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at the Company's discretion. The Company may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

Impairment of Long-Lived Assets

When facts and circumstances indicate that the carrying values of long-lived assets, including fixed assets, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets, at an asset group level, to undiscounted projected future cash flows in addition to other quantitative and qualitative analyses. Property, plant and equipment assets are grouped at the lowest level for which there are identifiable cash flows when assessing impairment. 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. The Company makes judgments related to the expected useful lives of long-lived assets and its ability to realize undiscounted cash flows in excess of the carrying amounts of such assets which 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

Green Mountain Coffee Roasters, Inc.

Notes to Consolidated Financial Statements—(Continued)

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.

Fixed Assets

Fixed assets are carried at cost, net of accumulated depreciation. Expenditures for maintenance, repairs and renewals of minor items are expensed as incurred. Expenditures for refurbishments and improvements that significantly improve the productive capacity or extend the useful life of an asset are capitalized. 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.

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

Depreciation costs of manufacturing and distribution assets are included in cost of sales on the Consolidated Statements of Operations. Depreciation costs of other assets, including equipment on loan to customers, are included in selling and operating expenses on the Consolidated Statements of Operations.

Leases

Occasionally, the Company is involved in the construction of leased properties. Due to the extent and nature of that involvement, the Company is deemed the owner, for accounting purposes only, during the construction period and is required to capitalize the construction costs on the Balance Sheet along with a corresponding financing obligation for the project costs that are incurred by the lessor. Upon completion of the project, a sale-leaseback analysis is performed to determine if the Company can record a sale to remove the assets and related obligation and record the lease as either an operating or capital lease obligation. Under current lease arrangements, the Company is precluded from derecognizing the assets when construction is complete due to continuing involvement beyond a normal leaseback. As a result, the lease is accounted for as a financing transaction and the recorded asset and related financing obligation remain on the Balance Sheet. The asset is depreciated over its estimated useful life in accordance with the Company's policy. Because the Company is not considered the owner of the land, a portion of the lease payments are allocated to ground rent and treated as an operating lease. The portion of the lease payment allocated to ground rental expense is based on the fair value of the land at the commencement of construction. Lease payments allocated to the buildings are recognized as reductions to the financing obligation and interest expense. See Note 19, *Commitments and Contingencies* , for further information.

Leases that qualify as capital leases are recorded at the lower of the fair value of the asset or the present value of the future minimum lease payments over the lease term generally using the Company's incremental borrowing rate. Assets leased under capital leases are included in fixed assets and generally are depreciated over the lease term. Lease payments under capital leases are recognized as a reduction of the capital lease obligation and interest expense.

All other leases are considered operating leases. Assets subject to an operating lease are not recorded on the balance sheet. Lease payments are recognized on a straight-line basis as rent expense over the expected lease term.

Revenue Recognition

Revenue from sales of single cup brewer systems, coffee and other specialty beverages in single serve packs, and coffee in more traditional packaging including whole bean and ground coffee selections in bags and ground coffee in fractional packs to supermarkets, grocery, warehouse club stores, retail, office coffee distributors, convenience stores, restaurants, hospitality accounts and consumers directly through Company websites is recognized when title and risk of loss passes to the customer, which generally occurs upon shipment or delivery of the product to the customer as defined by the contractual shipping terms. Shipping charges billed to customers are also recognized as revenue, and the related shipping costs are included in cost of sales. Cash received in advance of product delivery is recorded in deferred revenue, which is included in other current liabilities on the accompanying Consolidated Balance Sheets, until earned.

The majority of the Company's distribution to major retailers is processed by fulfillment entities. The fulfillment entities receive and fulfill sales orders and invoice certain retailers. All product shipped by the Company to the fulfillment entities are owned by the Company and included in inventories on the accompanying consolidated balance sheets. The Company recognizes revenue when delivery of the product from the fulfillment entity to the retailer has occurred based on the contractual shipping terms and when all other revenue recognition criteria are met.

Sales of single cup coffee brewers, single serve packs and other coffee products are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and rebates. The Company estimates the allowance for returns using an average return rate based on historical experience and an evaluation of contractual rights or obligations. The Company routinely participates in trade promotion programs with customers, including customers whose sales are processed by the fulfillment entities, whereby customers can receive certain incentives and allowances which are recorded as a reduction to sales when the sales incentive is offered and committed to or, if the incentive relates to specific sales, at the later of when that revenue is recognized or the date at which the sales incentive is offered. These incentives include, but are not limited to, cash discounts and volume based incentive programs. Allowances to customers that are directly attributable and supportable by customer promotional activities are recorded as selling expenses at the time the promotional activity occurs.

Roasters licensed by KBU to manufacture and sell K-Cup ® packs, both to KBU for resale and to their other coffee customers, are obligated to pay a royalty to KBU upon shipment to their customer. KBU records royalty revenue upon shipment of K-Cup ® packs by licensed roasters to third-party customers as set forth under the terms and conditions of various licensing agreements. For shipments of K-Cup ® packs to KBU for resale, this royalty payment is recorded as a reduction to the carrying value of the related K-Cup ® packs in inventory and as a reduction to cost of sales when sold through to third party customers by KBU.

Cost of Sales

Cost of sales for the Company consists of the cost of raw materials including coffee beans, hot cocoa, flavorings and packaging materials; a portion of our rental expense; production, warehousing and distribution costs which include salaries; distribution and merchandising personnel; leases and depreciation on facilities and equipment used in production; the cost of brewers manufactured by suppliers; third-party fulfillment charges; receiving, inspection and internal transfer costs; warranty expense; and freight, duties and delivery expenses. All shipping and handling expenses are also included as a component of cost of sales.

Product Warranty

The Company provides for the estimated cost of product warranties in cost of sales, at the time product revenue is recognized. Warranty costs are estimated primarily using historical warranty information in conjunction with current engineering assessments applied to the Company's expected repair or replacement costs. The estimate for warranties requires assumptions relating to expected warranty claims which can be impacted significantly by quality issues. The Company currently believes its warranty reserves are adequate; however, there can be no assurance that the Company will not experience some additional warranty expense in future periods related to previously sold brewers.

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 they are expected to generate sales. As of September 29, 2012 and September 24, 2011, prepaid advertising costs of $2.4 million and $3.8 million, respectively, were recorded in other current assets in the accompanying consolidated balance sheet. Advertising expense totaled $147.7 million, $90.8 million, and $52.9 million, for fiscal years 2012, 2011, and 2010, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax benefits or 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. Judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. These include establishing a valuation allowance related to the ability to realize certain deferred tax assets. The Company currently believes that future earnings and current tax planning strategies will be sufficient to recover substantially all of the Company's recorded net deferred tax assets. To the extent future taxable income against which these assets may be applied is not sufficient, some portion or all of our recorded deferred tax assets would not be realizable.

Accounting for uncertain tax positions also requires significant judgments, including estimating the amount, timing and likelihood of ultimate settlement. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates. The Company uses a more-likely-than-not measurement attribute for all tax positions taken or expected to be taken on a tax return in order for those tax positions to be recognized in the financial statements.

Stock-Based Compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Equity awards consist of stock options, restricted stock units ("RSUs") and restricted stock awards ("RSAs"). The cost is recognized over the period during which an employee is required to provide service in exchange for the award.

The Company measures the fair value of stock options using the Black-Scholes model and certain assumptions, including the expected life of the stock options, an expected forfeiture rate and the expected volatility of its common stock. The expected life of options is estimated based on options vesting periods, contractual lives and an analysis of the Company's historical experience. The expected forfeiture rate is based on the Company's historical employee turnover experience and future expectations. The risk-free interest rate is based on the U.S. Treasury rate over the expected life. The Company uses a blended historical volatility to estimate expected volatility at the measurement date. The fair value of RSUs and RSAs is based on the closing price of the Company's common stock on the grant date.

Foreign Currency Translation and Transactions

The financial statements of the Company's foreign subsidiaries are translated into the reporting currency of the Company which is the U.S. dollar. The functional currency of certain of the Company's foreign subsidiaries is the local currency of the subsidiary. Accordingly, the assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using the exchange rate in effect at each balance sheet date. Revenue and expense accounts are generally translated using the average rate of exchange during the period. Foreign currency translation adjustments are accumulated as a component of other comprehensive income or loss as a separate component of stockholders' equity. Gains and losses arising from transactions denominated in currencies other than the functional currency of the entity are charged directly against earnings in the Consolidated Statement of Operations. Gains and losses arising from transactions denominated in foreign currencies are primarily related to inter-company loans that have been determined to be temporary in nature, cash, long-term debt and accounts payable denominated in non-functional currencies.

Significant Customer Credit Risk and Supply Risk

The majority of the Company's customers are located in North America. With the exception of M.Block & Sons ("MBlock") as described below, concentration of credit risk with respect to accounts receivable is limited due to the large number of customers in various channels comprising the Company's customer base. The Company does not require collateral from customers as ongoing credit evaluations of customers' payment histories are performed. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

KBU procures the brewers it sells from a third-party brewer manufacturer. Purchases from this brewer manufacturer amounted to approximately $721.3 million, $545.3 million and $380.5 million in fiscal years 2012, 2011 and 2010, respectively.

The Company relies on MBlock to process the majority of sales orders for our AH single serve business with retailers in the United States. The Company is subject to significant credit risk regarding the creditworthiness of MBlock and, in turn, the creditworthiness of the retailers. Sales processed by MBlock to retailers amounted to $1,458.4 million, $997.0 million and $588.0 million for fiscal years 2012, 2011 and 2010, respectively. The Company's account receivables due from MBlock amounted to $133.1 million and $128.1 million at September 29, 2012 and September 24, 2011, respectively.

Research & Development

Research and development charges are expensed as incurred. These expenses amounted to $41.7 million, $17.7 million and $12.5 million in fiscal years 2012, 2011 and 2010, respectively. These costs primarily consist of salary and consulting expenses and are recorded in selling and operating expenses in each respective segment of the Company.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") that provides amendments for disclosures about offsetting assets and liabilities. The amendments require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The amendments are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Disclosures required by the amendments should be provided retrospectively for all comparative periods presented.

Green Mountain Coffee Roasters, Inc.

Notes to Consolidated Financial Statements—(Continued)

For the Company, the amendment is effective for fiscal year 2014. The Company is currently evaluating the impact these amendments may have on its disclosures.

In June 2011, the Financial Accounting Standards Board issued an ASU that provides amendments on the presentation of comprehensive income. The amendments require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments do not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. In both cases, the tax effect for each component must be disclosed in the notes to the financial statements or presented in the statement in which other comprehensive income is presented. The amendments do not affect how earnings per share is calculated or presented. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. For the Company the amendment is effective for fiscal 2013. The effect of adoption will have minimum impact on the Company as the Company's current presentation of comprehensive income follows the two-statement approach.

3. Acquisitions and Divestitures

Fiscal Year 2012

On October 3, 2011, all the outstanding shares of Van Houtte USA Holdings, Inc., also known as the Van Houtte U.S. Coffee Service business or the "Filterfresh" business, were sold to ARAMARK Refreshment Services, LLC ("ARAMARK") in exchange for $149.5 million in cash. Approximately $4.4 million of cash was transferred to ARAMARK as part of the sale and $7.4 million was repaid to ARAMARK upon finalization of the purchase price, resulting in a net cash inflow related to the Filterfresh sale of $137.7 million. The Company recognized a gain on the sale of $26.3 million during the thirteen weeks ended December 24, 2011. Filterfresh had been included in the CBU segment.

As of September 24, 2011, all the assets and liabilities relating to the Filterfresh business were reported in the Consolidated Balance Sheet as assets and liabilities held-for-sale.

Filterfresh revenues and net income included in the Company's consolidated statement of operations were as follows (dollars in thousands, except per share data):

	For the period September 25, 2011 through October 3, 2011 (date of sale)	For the period December 17, 2010 (date of acquisition) through September 24, 2011
Net sales	$ 2,286	$ 90,855
Net income	$ 229	$ 12,263
Less income attributable to noncontrolling interests	20	1,051
Net income attributable to GMCR	$ 209	$ 11,212
Diluted net income per share	$ —	$ 0.07

After the disposition, the Company continues to sell coffee and brewers to Filterfresh, which prior to the sale of Filterfresh were eliminated and were not reflected in the Consolidated Statement of Operations. For fiscal 2012, the Company's sales to Filterfresh through October 3, 2011 (date of sale) that were eliminated in consolidation were $0.6 million. For fiscal 2011, the Company's sales to Filterfresh during the period December 17, 2010 (date of acquisition) through September 24, 2011 that were eliminated in consolidation were $22.2 million.

Fiscal Year 2011

LJVH Holdings, Inc. (including subsidiaries—Van Houtte)

On December 17, 2010, the Company acquired all of the outstanding capital stock of LJVH Holdings, Inc. ("LJVH" and together with its subsidiaries, "Van Houtte"), a specialty coffee roaster headquartered in Montreal, Quebec, for $907.8 million, net of cash acquired. The acquisition was financed with cash on hand and a $1,450.0 million credit facility. Van Houtte's functional currency is the Canadian dollar. Van Houtte's operations are included in the CBU segment.

At the time of the acquisition, the Company accounted for all the assets relating to the Filterfresh business as held-for-sale.

The Van Houtte acquisition was accounted for under the acquisition method of accounting. The total purchase price of $907.8 million, net of cash acquired, was allocated to Van Houtte's net tangible assets and identifiable intangible assets based on their estimated fair values as of December 17, 2010. The fair value assigned to identifiable intangible assets acquired was determined primarily by using an income approach. The allocation of the purchase price is based upon a valuation determined using management's and the Company's estimates and assumptions. The table below represents the allocation of the purchase price to the acquired net assets of Van Houtte (in thousands):

	Total	Van Houtte Canadian Operations	Filterfresh Assets Held For Sale
Restricted cash	$ 500	$ 500	$ —
Accounts receivable	61,130	47,554	13,576
Inventories	42,958	36,691	6,267
Income taxes receivable	2,260	2,190	70
Deferred income taxes	4,903	3,577	1,326
Other current assets	5,047	4,453	594
Fixed assets	143,928	110,622	33,306
Intangible assets	375,099	355,549	19,550
Goodwill	472,331	409,493	62,838
Other long-term assets	1,577	962	615
Accounts payable and accrued expenses	(54,502)	(46,831)	(7,671)
Other short-term liabilities	(4,330)	(3,404)	(926)
Income taxes payable	(1,496)	(1,496)	—
Deferred income taxes	(117,086)	(104,866)	(12,220)
Notes payable	(2,914)	(1,770)	(1,144)
Other long-term liabilities	(2,452)	(1,683)	(769)
Non-controlling interests	(19,118)	(9,529)	(9,589)
	$ 907,835	$ 802,012	$ 105,823

The purchase price allocated to Filterfresh was the fair value, less the estimated direct costs to sell Filterfresh established at the acquisition date. The fair value of Filterfresh was estimated using an income approach, specifically the discounted cash flow ("DCF") method. Under the DCF method the fair value is calculated by discounting the projected after-tax cash flows for the business to present value. The income approach includes assumptions about the amount and timing of future cash flows using projections and other estimates. A discount rate based on an appropriate weighted average cost of capital was applied to the estimated future cash flows to estimate the fair value.

An income approach, specifically the DCF method, was used to value the noncontrolling interests.

Amortizable intangible assets acquired, valued at the date of acquisition, include approximately $263.1 million for customer relationships, $10.9 million for trademarks and trade names, $1.4 million for franchises and $0.3 million for technology. Indefinite-lived intangible assets acquired include approximately $99.4 million for the Van Houtte trademark which is not amortized. The definite lived intangible assets classified as held-for-sale were not amortized and approximated $19.5 million. Amortizable intangible assets are amortized on a straight-line basis over their respective useful lives, and the weighted-average amortization period is 10.8 years.

The cost of the acquisition in excess of the fair market value of the tangible and intangible assets acquired less liabilities assumed represents acquired goodwill. The acquisition of Van Houtte provides the Company with an expanded Canadian presence and manufacturing and distribution synergies, which provide the basis of the goodwill recognized with respect to the Van Houtte Canadian operations. As discussed above, the purchase price allocated to Filterfresh was the fair value, less the estimated direct costs to sell Filterfresh established at the acquisition date. The excess of the purchase price (fair value) allocated to Filterfresh over the fair value of the net tangible and identifiable intangible assets represents goodwill. Goodwill and intangible assets are reported in the CBU segment. The goodwill and intangible assets recognized are not deductible for tax purposes.

Acquisition costs were expensed as incurred and totaled approximately $10.7 million for the fiscal year ended September 24, 2011 and are included in general and administrative expenses for the Company.

Approximately $9.3 million and $26.9 million of the purchase price was held in escrow at September 29, 2012 and September 24, 2011, respectively, and is included in restricted cash. Corresponding amounts of $9.3 million are included in other current liabilities as of September 29, 2012 and $18.0 million and $8.9 million are included in other current liabilities and other long-term liabilities, respectively, as of September 24, 2011.

The acquisition was completed on December 17, 2010 and accordingly results of operations from such date have been included in the Company's Statement of Operations. For fiscal 2011, the Van Houtte operations contributed an additional $321.4 million of consolidated revenue and $20.2 million of income before income taxes.

Fiscal Year 2010

Diedrich Coffee, Inc.

On May 11, 2010, the Company acquired all of the outstanding common stock of Diedrich Coffee, Inc. ("Diedrich") a specialty coffee roaster and wholesaler located in central California for approximately $305.3 million, net of cash acquired. The acquisition was financed with cash on hand and a term loan of $140.0 million. Diedrich is a wholly-owned subsidiary of the Company with operations integrated into the SCBU.

The allocation of the purchase price based on the fair value of the acquired assets and liabilities assumed was as follows (in thousands):

Restricted cash	$	623
Accounts receivable		10,361
Inventories		6,732
Deferred income taxes		1,733
Other current assets		2,543
Fixed assets		11,741
Intangibles		100,200
Goodwill		217,519
Other long-term asset		156
Accounts payable		(3,836)
Accrued compensation costs		(8,670)
Accrued expenses		(3,480)
Deferred income taxes, long-term		(30,361)
Total	$	305,261

Acquisition costs were expensed as incurred and totaled approximately $11.7 million for the fiscal year ended September 25, 2010 and are included in general and administrative expenses of the Company.

Amortizable intangible assets acquired include approximately $83.3 million for customer relationships and $16.9 million for product names. The weighted-average amortization period for these assets is 10 years and is amortized on a straight-line basis over their respective useful lives.

The cost of the acquisition in excess of the fair market value of assets acquired less liabilities assumed represents acquired goodwill of approximately $217.5 million. The acquisition provides the Company with an expanded West Coast presence and manufacturing and distribution synergies, which provide the basis of goodwill recognized. Goodwill and intangible assets related to this acquisition are reported in the SCBU segment of the Company. The goodwill and intangible assets recognized are not deductible for tax purposes.

The acquisition was completed on May 11, 2010 and accordingly results of operations from such date have been included in the Company's Statement of Operations. Effective September 26, 2010, the beginning of the Company's fiscal year 2011, Diedrich was migrated onto the Company's common information technology platform. As a result, it is impracticable to disclose separately Diedrich's contributions to revenue and income before taxes for fiscal 2011. For fiscal year 2010, Diedrich contributed approximately $16.6 million in revenue and $4.1 million of income before taxes.

Timothy's Coffee of the World Inc.

On November 13, 2009, the Company acquired all of the outstanding capital stock of Timothy's Coffee of the World Inc. ("Timothy's"), which included its brand and wholesale coffee business. Timothy's is as a wholly-owned Canadian subsidiary, with operations, at the time of acquisition, integrated into the SCBU segment. Timothy's functional currency is the U.S. dollar.

Total consideration under the terms of the share purchase agreement amounted to approximately USD $155.7 million. The share purchase agreement contained customary representations, warranties and covenants given by the parties. The total cash disbursement was $154.2 million and the Company assumed liabilities of $1.5 million which were recorded as a noncash transaction.

The allocation of the purchase price based on fair value of the acquired assets less liabilities assumed is as follows (in thousands):

Accounts receivable	$	8,732
Inventory		6,911
Other current assets		83
Fixed assets		7,827
Intangibles		98,300
Goodwill		69,297
Accounts payable		(6,852)
Accrued compensation costs		(132)
Accrued expenses		(966)
Capital lease		(186)
Deferred income taxes		(27,274)
Total	$	155,740

Acquisition costs were expensed as incurred and totaled approximately $1.9 million for the fiscal year ended September 25, 2010 and are included in general and administrative expenses of the Company.

Amortizable intangible assets acquired include approximately $83.2 million for customer relationships with an estimated life of 16 years, approximately $8.9 million for the Timothy's trade name with an estimated life of 11 years and approximately $6.2 million for supply agreements with an estimated life of 11 years. The weighted-average amortization period for these assets is 15.2 years and is amortized on a straight-line basis over their respective useful lives.

The cost of the acquisition in excess of the fair market value of assets acquired less liabilities assumed represents acquired goodwill of approximately $69.3 million. The acquisition provided the Company with a Canadian presence and manufacturing and distribution synergies, which provide the basis of goodwill recognized. Goodwill and intangible assets related to this acquisition are reported in the SCBU segment. The goodwill recognized is not deductible for tax purposes.

The acquisition was completed on November 13, 2009 and accordingly results of operations from such date have been included in the Company's Statement of Operations. Effective September 25, 2011, the beginning of the Company's fiscal year 2012, the sales and operations associated with Timothy's were included in the CBU segment. For fiscal 2011, the Timothy's operations contributed an additional $68.3 million of consolidated revenue and $28.6 million of income before taxes. For fiscal 2010, Timothy's contributed approximately $37.9 million in revenue and $14.7 million of income before taxes.

Supplemental Pro Forma Information

The following information reflects the Company's acquisitions as if the transactions had occurred as of the beginning of the

Green Mountain Coffee Roasters, Inc.

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Company's fiscal 2010. The unaudited pro forma information does not necessarily reflect the actual results that would have occurred had the acquisitions been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies.

The following table represents select unaudited consolidated pro forma data (in thousands):

	Fiscal 2011	Fiscal 2010
Unaudited Consolidated proforma revenue	$ 2,749,729	$ 1,765,368
Unaudited Consolidated proforma net income	$ 223,854	$ 84,840
Unaudited Consolidated proforma diluted earnings per common share	$ 1.47	$ 0.62

4. Segment Reporting

The Company manages its operations through three operating segments, SCBU, KBU and CBU. For a description of the operating segments, see Note 1, *Nature of Business and Organization* .

Management evaluates the performance of the Company's operating segments based on several factors, including net sales and income before taxes. Net sales are recorded on a segment basis and intersegment sales are eliminated as part of the financial consolidation process. Segment income before taxes represents earnings before income taxes and includes intersegment interest income and expense and transfer pricing on intersegment sales. The Company's manufacturing operations occur within the SCBU and CBU segments, however, the costs of manufacturing are recognized in cost of sales in the operating segment in which the sale occurs. Information system technology services are mainly centralized while finance functions are primarily decentralized, but currently maintain some centralization through an enterprise shared services group. Expenses related to certain centralized administrative functions including Accounting and Information System Technology are allocated to the operating segments. Expenses not specifically related to an operating segment are recorded in the "Corporate" segment. Corporate expenses are comprised mainly of the compensation and other related expenses of certain of the Company's senior executive officers and other selected employees who perform duties related to the entire enterprise. Corporate expenses also include depreciation expense, interest expense, foreign exchange gains or losses, certain corporate legal and acquisition-related expenses and compensation of the board of directors.

Identifiable assets by segment are those assets specifically identifiable within each segment and for the SCBU, KBU and CBU segments primarily include accounts receivable, inventories, net property, plant and equipment, goodwill, and other intangible assets. Corporate assets include primarily cash, short-term investments, deferred tax assets, income tax receivable, certain notes receivable eliminated in consolidation, deferred issuance costs, and fixed assets related to corporate headquarters. Goodwill and intangibles related to acquisitions are included in their respective segments.

Effective with the beginning of the Company's third quarter of fiscal 2011, KBU no longer records royalty income from SCBU and CBU on shipments of single serve packs, thus removing the need to eliminate royalty income during the financial consolidation process. Prior to the third quarter of fiscal 2011, the Company recorded intersegment sales and purchases of brewer and K-Cup ® packs at a markup. During the third quarter of fiscal 2011, the Company unified the standard costs of brewer and K-Cup ® pack inventories across the segments and began recording intersegment sales and purchases of brewers and K-Cup ® packs at new unified standard costs. This change simplified intercompany transactions by removing the need to eliminate the markup incorporated in intersegment sales as part of the financial consolidation process. In addition, effective September 25, 2011, the beginning of fiscal 2012, single serve pack and brewer inventories are transferred directly between SCBU and KBU. Intersegment sales are no longer transacted between SCBU and KBU.

As a result of the unification of the standard costs of brewers and K-Cup ® packs during the third quarter of fiscal 2011, the Company revalued its segment inventories and recorded an adjustment in each segment, which resulted in an increase in cost of sales and a decrease in inventories. This adjustment was offset by the reversal of the elimination of intersegment markup in inventories in the consolidation process resulting in no impact to the Company's consolidated results.

The selected financial data for segment disclosures for fiscal years 2011 and 2010 were not recast for the changes described in the two preceding paragraphs. The net effect represents the mark-up on SCBU and CBU single serve packs sold by KBU and on KBU brewers and accessories sold by SCBU and CBU, as well as the KBU royalty income on the sale of SCBU and CBU single serve packs. The Company used historical mark-up percentages and royalty rates to calculate the net effect. The following table summarizes the approximate net effect of the above changes on segment income before taxes for fiscal 2012

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and 2011 as a result of the above changes (in thousands). The effect on segment income before taxes for fiscal 2011 has been recast to reflect Timothy's and the AH single cup business with retailers in Canada in the CBU segment as discussed in the following paragraph.

Increase (decrease) in income before taxes	Fiscal 2012	Fiscal 2011
SCBU	$ 36,332	$ 15,473
KBU	(1,072)	(35,471)
CBU	(645)	(7,251)
Corporate	—	—
Eliminations	(34,615)	27,249
Consolidated	$ —	$ —

Effective at the beginning of fiscal 2012, the Company changed its organizational structure to align certain portions of its business by geography. Prior to fiscal 2012, sales and operations associated with the Timothy's brand were included in the SCBU segment, and a portion of the AH single cup business with retailers in Canada was included in the KBU segment. Under the new structure, Timothy's and all of the AH single cup business with retailers in Canada are included in the CBU segment. This resulted in a re-assignment of goodwill of $17.1 million from the SCBU segment to the CBU segment using a relative fair value approach.

The following tables summarize selected financial data for segment disclosures for fiscal years 2012, 2011 and 2010. Selected financial data for segment disclosures for fiscal years 2011 and 2010 have been recast to reflect Timothy's and the AH single cup business with retailers in Canada in the CBU segment.

	For the fiscal year ended September 29, 2012 (Dollars in thousands)					
	SCBU	KBU	CBU	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 1,550,347	$ 1,683,327	$ 625,524	$ —	$ —	$ 3,859,198
Intersegment sales	$ 9,785	$ 13,226	$ 100,340	$ —	$ (123,351)	$ —
Net sales	$ 1,560,132	$ 1,696,553	$ 725,864	$ —	$ (123,351)	$ 3,859,198
Income before taxes	$ 371,279	$ 153,186	$ 116,898	$ (65,222)	$ —	$ 576,141
Total assets	$ 1,507,852	$ 972,276	$ 1,167,736	$ 574,031	$ (606,106)	$ 3,615,789
Stock compensation	$ 4,211	$ 3,597	$ 1,890	$ 8,170	$ —	$ 17,868
Interest expense	$ —	$ —	$ —	$ 22,983	$ —	$ 22,983
Property additions	$ 364,514	$ 47,835	$ 42,359	$ 43,552	$ —	$ 498,260
Depreciation and amortization	$ 85,433	$ 13,817	$ 59,735	$ 22,662	$ —	$ 181,647

	For the fiscal year ended September 24, 2011 (Dollars in thousands)					
	SCBU	KBU	CBU	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 963,731	$ 1,188,701	$ 498,467	$ —	$ —	$ 2,650,899
Intersegment sales	$ 442,970	$ 165,300	$ 98,347	$ —	$ (706,617)	$ —
Net sales	$ 1,406,701	$ 1,354,001	$ 596,814	$ —	$ (706,617)	$ 2,650,899
Income before taxes	$ 249,916	$ 126,198	$ 72,860	$ (121,036)	$ (25,191)	$ 302,747
Total assets	$ 1,354,567	$ 622,254	$ 1,283,883	$ 476,613	$ (539,430)	$ 3,197,887
Stock compensation	$ 3,186	$ 2,333	$ 470	$ 4,372	$ —	$ 10,361
Interest expense	$ —	$ —	$ —	$ 57,657	$ —	$ 57,657
Property additions	$ 209,412	$ 34,759	$ 26,447	$ 19,693	$ —	$ 290,311
Depreciation and amortization	$ 44,055	$ 10,970	$ 45,193	$ 13,418	$ —	$ 113,636

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Notes to Consolidated Financial Statements—(Continued)

	For the fiscal year ended September 25, 2010 (Dollars in thousands)					
	SCBU	KBU	CBU	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$ 571,630	$ 699,246	$ 85,899	$ —	$ —	$ 1,356,775
Intersegment sales	$ 254,746	$ 166,615	$ 34,274	$ —	$ (455,635)	$ —
Net sales	$ 826,376	$ 865,861	$ 120,173	$ —	$ (455,635)	$ 1,356,775
Income before taxes	$ 104,900	$ 75,737	$ 11,287	$ (44,133)	$ (14,582)	$ 133,209
Total assets	$ 795,215	$ 417,802	$ 150,818	$ 70,240	$ (63,501)	$ 1,370,574
Stock compensation	$ 2,556	$ 2,092	$ 23	$ 3,278	$ —	$ 7,949
Interest expense	$ —	$ —	$ —	$ 5,294	$ —	$ 5,294
Property additions	$ 95,060	$ 20,514	$ 2,446	$ 15,937	$ —	$ 133,957
Depreciation and amortization	$ 22,689	$ 7,713	$ 7,188	$ 6,867	$ —	$ 44,457

Geographic Information

Net sales are attributed to countries based on the location of the customer. Information concerning net sales of principal geographic areas is as follows (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net Sales:			
United States	$ 3,248,543	$ 2,248,811	$ 1,313,872
Canada	609,828	400,682	42,903
Other	827	1,406	—
	$ 3,859,198	$ 2,650,899	$ 1,356,775

Sales to customers that represented more than 10% of the Company's net sales included Wal-Mart Stores, Inc. and affiliates ("Wal-Mart"), representing approximately 12% of consolidated net sales for fiscal 2012, and Bed Bath & Beyond, Inc., representing approximately 11% and 14% of consolidated net sales for fiscal years 2011 and 2010, respectively. Sales to Wal-Mart in fiscal 2012 were through all segments and sales to Bed Bath & Beyond, Inc. in fiscal years 2011 and 2010 were primarily through the KBU segment.

Information concerning long-lived assets of principal geographic area is as follows (in thousands) as of:

	September 29, 2012	September 24, 2011
Fixed Assets, net:		
United States	$ 783,075	$ 443,750
Canada	143,640	121,471
Other	17,581	13,998
	$ 944,296	$ 579,219

Net Sales by Major Product Category

Net sales by major product category (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Single Serve Packs	$ 2,708,886	$ 1,704,021	$ 834,422
Brewers and Accessories	759,805	524,709	330,772
Other Products and Royalties	390,507	422,169	191,581
	$ 3,859,198	$ 2,650,899	$ 1,356,775

5. Inventories

Inventories consisted of the following (in thousands) as of:

	September 29, 2012	September 24, 2011
Raw materials and supplies	$ 229,927	$ 182,811
Finished goods	538,510	489,437
	$ 768,437	$ 672,248

As of September 29, 2012, the Company had approximately $323.6 million in green coffee purchase commitments, of which approximately 90% had a fixed price. These commitments primarily extend through fiscal 2014. The value of the variable portion of these commitments was calculated using an average “C” price of coffee of $1.80 per pound at September 29, 2012. In addition to its green coffee commitments, the Company had approximately $239.5 million in fixed price brewer and related accessory purchase commitments and $591.0 million in production raw materials commitments at September 29, 2012. The Company believes based on relationships established with its suppliers that the risk of non-delivery on such purchase commitments is remote.

As of September 29, 2012, minimum future inventory purchase commitments are as follows (in thousands):

Fiscal Year	Inventory Purchase Obligations
2013	$ 652,311
2014	111,685
2015	111,351
2016	114,675
2017	84,465
Thereafter	79,577
	$ 1,154,064

6. Fixed Assets

Fixed assets consist of the following (in thousands) as of:

	Useful Life in Years	September 29, 2012	September 24, 2011
Production equipment	1-15	$ 544,491	$ 314,149
Coffee service equipment	3-7	63,722	53,319
Computer equipment and software	1-6	111,441	78,377
Land	Indefinite	11,740	8,790
Building and building improvements	4-30	83,172	54,648
Furniture and fixtures	1-15	28,477	21,619
Vehicles	4-5	10,306	7,860
Leasehold improvements	1-20 or remaining life of lease, whichever is less	72,755	35,496
Assets acquired under capital leases	5-15	51,047	—
Construction-in-progress		234,442	147,860
Total fixed assets		$ 1,211,593	$ 722,118
Accumulated depreciation		(267,297)	(142,899)
		$ 944,296	$ 579,219

Assets acquired under capital leases, net of accumulated depreciation, were $47.0 million as of September 29, 2012.

Total depreciation and amortization expense relating to all fixed assets was $135.7 million, $72.3 million and $29.5 million for fiscal years 2012, 2011, and 2010, respectively.

Assets classified as construction-in-progress are not depreciated, as they are not ready for productive use.

As of September 29, 2012, construction in progress includes $14.4 million relating to properties under construction where the Company is deemed, for accounting purposes only, to be the accounting owner, even though the Company is not the legal owner. See footnote 19, *Commitments and Contingencies* .

During fiscal years 2012, 2011 and 2010, $2.8 million, $2.6 million, and $1.3 million, respectively, of interest expense was capitalized.

7. Goodwill and Intangible Assets

The following represents the change in the carrying amount of goodwill by operating segment for fiscal 2012 and 2011 (in thousands):

	SCBU	KBU	CBU	Total
Balance as of September 25, 2010	$ 314,042	$ 72,374	$ —	$ 386,416
Acquisition of Van Houtte	—	—	409,493	409,493
Foreign currency effect	—	—	(6,604)	(6,604)
Balance as of September 24, 2011	$ 314,042	$ 72,374	$ 402,889	$ 789,305
Reassignment of Timothy's goodwill	(17,063)	—	17,063	—
Foreign currency effect	—	—	18,771	18,771
Balance as of September 29, 2012	$ 296,979	$ 72,374	$ 438,723	$ 808,076

Indefinite-lived intangible assets included in the CBU operating segment consist of the following (in thousands) as of:

	September 29, 2012		September 24, 2011	
Trade names	$	102,381	$	97,824

Effective September 25, 2011, Timothy's is included in the CBU segment. Prior to September 25, 2011, Timothy's was included in the SCBU segment. This resulted in a re-assignment of goodwill of $17.1 million from the SCBU segment to the CBU segment using a relative fair value approach. The amount of goodwill reassigned was determined based on the relative fair values of Timothy's and SCBU.

The Company conducted its annual impairment test of goodwill and indefinite-lived intangible assets as of September 29, 2012, and elected to bypass the optional qualitative assessment and performed a quantitative impairment test. Goodwill was evaluated for impairment at the following reporting unit levels:

- SCBU
- KBU
- CBU—Roasting and Retail
- CBU—Coffee Services Canada

For the goodwill impairment test, the fair value of the reporting units was estimated using the Discounted Cash Flow ("DCF") method. A number of significant assumptions and estimates are involved in the application of the DCF method including discount rate, sales volume and prices, costs to produce and working capital changes. For the indefinite-lived intangible assets impairment test, the fair value of the trade name was estimated using the Relief-from-Royalty Method. This method estimates the savings in royalties the Company would otherwise have had to pay if it did not own the trade name and had to license the trade name from a third party with rights of use substantially equivalent to ownership. The fair value of the trade name is the present value of the future estimated after-tax royalty payments avoided by ownership, discounted at an appropriate, risk-adjusted rate of return. For goodwill and indefinite-lived intangible impairment tests, the Company used a royalty rate of 3.0%, an income tax rate of 38.0% for the United States and 27.5% for Canada, and discount rates ranging from 12.0% to 15.0%. There was no impairment of goodwill or indefinite-lived intangible assets in fiscal years 2012, 2011, or 2010.

Intangible Assets Subject to Amortization

Definite-lived intangible assets consist of the following (in thousands) as of:

		September 29, 2012				September 24, 2011			
	Useful Life in Years	Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
Acquired technology	4-10	$	21,622	$	(15,433)	$	21,609	$	(13,525)
Customer and roaster agreements	8-11		27,323		(16,796)		27,259		(13,723)
Customer relationships	5-16		430,178		(79,168)		418,901		(40,593)
Trade names	9-11		38,000		(9,785)		37,611		(5,919)
Non-compete agreements	2-5		374		(344)		374		(324)
Total		$	517,497	$	(121,526)	$	505,754	$	(74,084)

Definite-lived intangible assets are amortized on a straight-line basis over the period of expected economic benefit. Total amortization expense was $46.0 million, $41.3 million, and $15.0 million for fiscal years 2012, 2011, and 2010, respectively. The weighted average remaining life for definite-lived intangibles at September 29, 2012 is 9.3 years.

The estimated aggregate amortization expense over each of the next five years and thereafter, is as follows (in thousands):

2013	$	46,371
2014		45,750
2015		44,198
2016		43,491
2017		42,095
Thereafter		174,066

Green Mountain Coffee Roasters, Inc.

Notes to Consolidated Financial Statements—(Continued)

8. Assets Held For Sale

The following is a summary of the major classes of assets and liabilities of Filterfresh included as assets and liabilities held-for-sale (in thousands) as of:

	September 24, 2011
Cash	$ 5,160
Accounts receivable, net of allowance for uncollectible accounts of $0.3 million	12,734
Inventories	7,212
Other current assets	779
Total current assets	$ 25,885
Fixed Assets	$ 37,780
Intangibles	19,550
Goodwill	62,838
Other long-term assets	415
Total long-term assets	$ 120,583
Current portion of long-term debt	$ 673
Accounts payable	2,226
Accrued compensation	2,287
Accrued expenses	3,229
Income taxes payable	32
Deferred income taxes, net	10,894
Total current liabilities	$ 19,341
Long-term debt	$ 185
Other long-term liabilities	289
Total long-term liabilities	$ 474

In addition, *Redeemable noncontrolling interests* on the Consolidated Balance Sheets as of September 24, 2011, included $10.3 million related to Filterfresh.

9. Product Warranties

The Company offers a one-year warranty on all Keurig ® Single Cup Brewers it sells. KBU provides for the estimated cost of product warranties, primarily using historical information and current repair or replacement costs, at the time product revenue is recognized. The Company is experiencing warranty claims at a lower rate than the rates experienced over the prior two years, which had related primarily to a component failing at higher-than-anticipated rates in the later stage of the warranty life. The current rates reflect an improvement in later-stage brewer performance. Management believes that the lower rates are the result of improvements made in units produced since mid-2011 that incorporated an updated component that improved later-stage performance. The Company has incorporated the recent improvement in the rate of warranty claims into its estimates used in its reserve for product warranty costs. However, because brewer failures may arise in the later part of the warranty period, actual warranty costs may exceed the reserve. As a result, there can be no assurance that the Company will not need to increase the reserve or experience additional warranty expense related to this or other quality issues in future periods. At this time, management believes that the warranty rates used and related reserves are appropriate.

As the Company has grown, it has added significantly to its product testing, quality control infrastructure and overall quality processes. Nevertheless, as the Company continues to innovate, and its products become more complex, both in design and componentry, product performance may tend to modulate, causing warranty rates to possibly fluctuate going forward, so that they may be higher or lower than the Company is currently experiencing and for which the Company is currently providing for in its warranty reserve.

The changes in the carrying amount of product warranties for fiscal years 2012 and 2011 are as follows (in thousands):

	Fiscal 2012	Fiscal 2011
Balance, beginning of year	$ 14,728	$ 6,694
Provision charged to income	45,739	35,450
Usage	(40,249)	(27,416)
Balance, end of year	$ 20,218	$ 14,728

During fiscal 2012, the Company recovered approximately $8.3 million as reimbursement from suppliers related to warranty issues. The recoveries were recorded as a reduction to warranty expense and are not reflected in the provision charged to income in the table above. There were no recoveries during fiscal 2011.

10. Long-Term Debt

Long-term debt outstanding consists of the following (in thousands) as of:

	September 29, 2012	September 24, 2011
Revolving credit facility, USD	$ 120,000	$ 168,000
Revolving credit facility, multicurrency	108,787	163,202
Term loan A	242,188	248,437
Other	2,700	2,994
Total long-term debt	$ 473,675	$ 582,633
Less current portion	6,691	6,664
Long-term portion	$ 466,984	$ 575,969

Under the Company's current credit facility ("Restated Credit Agreement"), the Company maintains senior secured credit facilities consisting of (i) an $800.0 million U.S. revolving credit facility, (ii) a $200.0 million alternative currency revolving credit facility, and (iii) a term loan A facility. The Restated Credit Agreement also provides for an increase option for an aggregate amount of up to $500.0 million.

The term loan A facility requires quarterly principal repayments. The term loan and revolving credit borrowings bear interest at a rate equal to an applicable margin plus, at our option, either (a) a eurodollar rate determined by reference to the cost of funds for deposits for the interest period and currency relevant to such borrowing, adjusted for certain costs, or (b) a base rate determined by reference to the highest of (1) the federal funds rate plus 0.50%, (2) the prime rate announced by Bank of America, N.A. from time to time and (3) the eurodollar rate plus 1.00%. The applicable margin under the Restated Credit Agreement with respect to term loan A and revolving credit facilities is a percentage per annum varying from 0.5% to 1.0% for base rate loans and 1.5% to 2.0% for eurodollar loans, based upon the Company's leverage ratio. The Company's average effective interest rate as of September 29, 2012 and September 24, 2011 was 2.9% and 2.8%, respectively, excluding amortization of deferred financing charges and including the effect of interest swap agreements. The Company also pays a commitment fee of 0.2% on the average daily unused portion of the revolving credit facilities.

All the assets of the Company and its domestic wholly-owned material subsidiaries are pledged as collateral under the Restated Credit Agreement. The Restated Credit Agreement contains customary negative covenants, subject to certain exceptions, including limitations on: liens; investments; indebtedness; merger and consolidations; asset sales; dividends and distributions or repurchases of the Company's capital stock; transactions with affiliates; certain burdensome agreements; and changes in the Company's lines of business.

The Restated Credit Agreement requires the Company to comply on a quarterly basis with a consolidated leverage ratio and a consolidated interest coverage ratio. As of September 29, 2012 and throughout fiscal year 2012, the Company was in compliance with these covenants. In addition, the Restated Credit Agreement contains certain mandatory prepayment requirements and customary events of default.

As of September 29, 2012 and September 24, 2011, outstanding letters of credit under the Restated Credit Agreement, totaled $3.7 million and $4.4 million, respectively. No amounts have been drawn against the letters of credit as of September 29, 2012 and September 24, 2011.

In connection with the Restated Credit Agreement, the Company incurred debt issuance costs of $46.0 million which were deferred and included in *Other Long-Term Assets* on the Consolidated Balance Sheet and amortized as interest expense over the life of the respective loan using a method that approximates the effective interest rate method. The Company incurred a loss of $19.7 million in fiscal 2011 primarily on the extinguishment of the term loan B facility under the credit agreement that immediately preceded the Restated Credit Agreement ("Credit Agreement") and the extinguishment of a former credit facility that preceded the Credit Agreement resulting from the write-off of debt issuance costs and the original issue discount. The loss on the extinguishment of debt is included in *Interest Expense* on the Consolidated Statements of Operations.

The Company enters into interest rate swap agreements to limit a portion of its exposure to variable interest rates by entering into interest rate swap agreements which effectively fix the rates. In accordance with the swap agreements and on a monthly basis, interest expense is calculated based on the floating 30-day Libor rate and the fixed rate. If interest expense as calculated is greater based on the 30-day Libor rate, the swap counterparty pays the difference to the Company; if interest expense as calculated is greater based on the fixed rate, the Company pays the difference to the swap counterparty. See Note 11, *Derivative Financial Instruments* .

Below is a summary of the Company's derivative instruments in effect as of September 29, 2012 mitigating interest rate exposure of variable-rate borrowings (in thousands):

Derivative Instrument	Hedged Transaction	Notional Amount of Underlying Debt	Fixed Rate Received	Maturity (Fiscal Year)
Swap	30-day Libor	$ 20,000	3.87%	2013
Swap	30-day Libor	83,000	1.20%	2013
Swap	30-day Libor	20,000	2.54%	2016
Swap	30-day Libor	30,000	2.54%	2016
Swap	30-day Libor	50,000	2.54%	2016
Swap	30-day Libor	30,000	2.54%	2016
		$ 233,000		

In fiscal years 2012, 2011 and 2010 the Company paid approximately $4.7 million, $3.8 million and $2.3 million, respectively, in additional interest expense pursuant to the swap agreements.

In addition, the Company has an interest rate cap to limit the interest rate exposure of $167.0 million in variable-rate borrowings.

Maturities

Scheduled maturities of long-term debt are as follows (in thousands):

Fiscal Year	
2013	$ 6,691
2014	12,922
2015	19,170
2016	433,853
2017	395
Thereafter	644
	$ 473,675

11. Derivative Financial Instruments

Cash Flow Hedges

The Company is exposed to certain risks relating to ongoing business operations. The primary risks that are mitigated by financial instruments are interest rate risk and commodity price risk. The Company uses interest rate swaps to mitigate interest rate risk associated with the Company's variable-rate borrowings and enters into coffee futures contracts to hedge future coffee purchase commitments of green coffee with the objective of minimizing cost risk due to market fluctuations.

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The Company designates these contracts as cash flow hedges and measures the effectiveness of these derivative instruments at each balance sheet date. The changes in the fair value of these instruments are classified in accumulated other comprehensive income ("OCI"). Gains and losses on these instruments are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. If it is determined that a derivative is not highly effective, the gains and losses will be reclassified into earnings upon determination.

Fair Value Hedges

The Company enters into foreign currency forward contracts to hedge certain recognized liabilities in currencies other than the Company's functional currency. The Company designates these contracts as fair value hedges and measures the effectiveness of the derivative instruments at each balance sheet date. The changes in the fair value of these instruments along with the changes in the fair value of the hedged liabilities are recognized in net gains or losses on foreign currency on the consolidated statements of operations.

Other Derivatives

The Company is also exposed to certain foreign currency and interest rate risks on an intercompany note with a foreign subsidiary denominated in Canadian currency. As of September 29, 2012, the Company has a four year, $140.0 million, Canadian cross currency swap to exchange interest payments and principal on the intercompany note. This cross currency swap is not designated as a hedging instrument for accounting purposes and is recorded at fair value, with the changes in fair value recognized in the Consolidated Statements of Operations. Gains and losses resulting from the change in fair value are largely offset by the financial impact of the re-measurement of the intercompany note. In accordance with the cross currency swap agreement, on a quarterly basis, the Company pays interest based on the three month Canadian Bankers Acceptance rate and receives interest based on the three month U.S. Libor rate. The Company incurred $1.8 million and $1.2 million, in additional interest expense pursuant to the cross currency swap agreement during fiscal 2012 and 2011, respectively.

In conjunction with the repayment of the Company's term loan B facility under the Credit Agreement (See Note 10, *Long-Term Debt*), the interest rate cap previously used to mitigate interest rate risk associated with the Company's variable-rate borrowings on the term loan B no longer qualified for hedge accounting treatment. As a result, a loss of $0.4 million, gross of tax, was reclassified from other comprehensive income to income during fiscal 2011.

The Company occasionally enters into foreign currency forward contracts and coffee futures contracts which are not designated as hedging instruments for accounting purposes in addition to the foreign currency forward contracts and coffee futures contracts noted above. Contracts that are not designated as hedging instruments are recorded at fair value with the changes in fair value recognized in the Consolidated Statements of Operations.

The Company does not hold or use derivative financial instruments for trading or speculative purposes.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to these financial instruments, however, nonperformance is not anticipated.

The following table summarizes the fair value of the Company's derivatives included on the Consolidated Balance Sheets (in thousands) as of:

	September 29, 2012	September 24, 2011	Balance Sheet Classification
Derivatives designated as hedges:			
Interest rate swaps	$ (9,019)	$ (10,269)	Other current liabilities
Coffee futures	(342)	(424)	Other current liabilities
	(9,361)	(10,693)	
Derivatives not designated as hedges:			
Cross currency swap	(7,242)	(2,324)	Other current liabilities
Interest rate cap	—	34	Other current assets
	(7,242)	(2,290)	
Total	$ (16,603)	$ (12,983)	

The following table summarizes the coffee futures contracts outstanding as of September 29, 2012 (in thousands):

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Coffee Pounds	Average Contract Price	"C" Price	Maturity	Fair Value of Futures Contracts
938	$ 1.92	$ 1.74	December 2012	$ (169)
938	$ 1.96	$ 1.78	March 2013	(171)
675	$ 1.80	$ 1.80	May 2013	(1)
375	$ 1.83	$ 1.83	July 2013	(1)
262	$ 1.86	$ 1.86	September 2013	—
3,188				$ (342)

The following table summarizes the coffee futures contracts outstanding as of September 24, 2011 (in thousands):

Coffee Pounds	Average Contract Price	"C" Price	Maturity	Fair Value of Futures Contracts
750	$ 2.65	$ 2.36	May 2012	$ (218)
450	$ 2.58	$ 2.36	May 2012	(98)
1,875	$ 2.41	$ 2.35	July 2012	(108)
3,075				$ (424)

The following table summarizes the amount of gain (loss), gross of tax, on financial instruments that qualify for hedge accounting included in other comprehensive income (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Cash Flow Hedges:			
Interest rate swaps	$ 1,250	$ (7,928)	$ 524
Coffee futures	(2,484)	407	66
Total	$ (1,234)	$ (7,521)	$ 590

The following table summarizes the amount of gain (loss), gross of tax, reclassified from other comprehensive income to income (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010	
Interest rate cap	$ —	$ (392)	$ —	Gain (Loss) on Financial Instruments
Coffee futures	(1,359)	(27)	188	Cost of Sales
Total	$ (1,359)	$ (419)	$ 188	

The Company expects to reclassify $0.4 million of losses, net of tax, from other comprehensive income to earnings on coffee derivatives within the next twelve months.

See note 14, *Stockholders' Equity* for a reconciliation of derivatives in beginning accumulated other comprehensive income (loss) to derivatives in ending accumulated other comprehensive income (loss).

The following table summarizes the amount of gain (loss), gross of tax, on fair value hedges and related hedged items (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010	Location of gain (loss) recognized in income on derivative
Foreign currency forward contracts				
Net loss on hedging derivatives	$ (48)	$ —	$ —	Gain on foreign currency, net
Net gain on hedged items	$ 48	$ —	$ —	Gain on foreign currency, net

Net losses on financial instruments not designated as hedges for accounting purposes recorded in gain (loss) on financial instruments is as follows (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net loss on cross currency swap	$ (4,918)	$ (2,324)	$ —
Net gain (loss) on coffee futures	7	(250)	—
Net loss on interest rate cap	(34)	(615)	—
Net loss on foreign currency option and forward contracts	—	(3,056)	(354)
Total	$ (4,945)	$ (6,245)	$ (354)

The net loss on foreign currency contracts were primarily related to contracts entered into to mitigate the risk associated with the Canadian denominated purchase price of Van Houtte in fiscal 2011 and Timothy's in fiscal 2010.

12. Fair Value Measurements

The Company measures fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established by the Financial Accounting Standards Board prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized into the following levels:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted prices that are observable, either directly or indirectly, which include quoted prices for similar assets or liabilities in active markets and quoted prices for identical assets or liabilities in markets that are not active.

Level 3 — Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best available information, including management assumptions.

The following table summarizes the fair values and the levels used in fair value measurements as of September 29, 2012 for the Company's financial assets (liabilities) (in thousands):

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Derivatives:			
Interest rate swaps	$ —	$ (9,019)	$ —
Cross currency swap	—	(7,242)	—
Coffee futures	—	(342)	—
Interest rate cap	—	—	—
Long-term debt	—	(473,675)	—
Total	$ —	$ (490,278)	$ —

The following table summarizes the fair values and the levels used in fair value measurements as of September 24, 2011 for the Company's financial assets (liabilities) (in thousands):

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Derivatives:			
Interest rate swaps	$ —	$ (10,269)	$ —
Cross currency swap	—	(2,324)	—
Coffee futures	—	(424)	—
Interest rate cap	—	34	—
Long-term debt	—	(582,633)	—
Total	$ —	$ (595,616)	$ —

Level 2 derivative financial instruments use inputs that are based on market data of identical (or similar) instruments, including forward prices for commodities, interest rates curves and spot prices that are in observable markets. Derivatives recorded on the balance sheet are at fair value with changes in fair value recorded in other comprehensive income for cash flow hedges and in the Consolidated Statements of Operations for fair value hedges and derivatives that do not qualify for hedge accounting treatment.

Derivatives

Derivative financial instruments include coffee futures contracts, interest rate swap and cap agreements, a cross-currency swap agreement and foreign currency forward contracts. The Company has identified significant concentrations of credit risk based on the economic characteristics of the instruments that include interest rates, commodity indexes and foreign currency rates and selectively enters into the derivative instruments with counterparties using credit ratings.

To determine fair value, the Company utilizes the market approach valuation technique for coffee futures and foreign currency forward contracts and the income approach for interest rate and cross currency swap agreements. The Company's fair value measurements include a credit valuation adjustment for the significant concentrations of credit risk.

As of September 29, 2012, the amount of loss estimated by the Company due to credit risk associated with the derivatives for all significant concentrations was not material based on the factors of an industry recovery rate and a calculated probability of default.

Long-Term Debt

The fair value of long-term debt is based on the net present value of calculated interest and principal payments, using an interest rate derived from a fair market yield curve adjusted for the Company's credit rating. The carrying value of long-term debt approximates fair value due to the fact that the interest rate on the debt is based on variable interest rates that reset every 30 days.

13. Income Taxes

Income before income taxes and the provision for income taxes for fiscal years 2012, 2011 and 2010, consist of the following (in thousands):

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Notes to Consolidated Financial Statements—(Continued)

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Income before income taxes:			
United States	$ 486,258	$ 248,108	$ 118,494
Foreign	89,883	54,639	14,715
Total income before income taxes	$ 576,141	$ 302,747	$ 133,209
Income tax expense:			
United States federal:			
Current	$ 75,932	$ 75,225	$ 41,770
Deferred	74,042	(3,327)	(3,694)
	149,974	71,898	38,076
State and local:			
Current	40,270	13,939	11,921
Deferred	(712)	(1,758)	(3,235)
	39,558	12,181	8,686
Total United States	189,532	84,079	46,762
Foreign:			
Current	26,860	21,306	6,941
Deferred	(3,751)	(3,686)	—
Total foreign	23,109	17,620	6,941
Total income tax expense	$ 212,641	$ 101,699	$ 53,703

Net deferred tax liabilities consist of the following (in thousands) as of:

	September 29, 2012	September 24, 2011
Deferred tax assets:		
Section 263A capitalized expenses	$ 2,150	$ 5,650
Deferred hedging losses	3,919	3,969
Deferred compensation	11,534	7,299
Net operating loss carryforward	1,017	616
Capital loss carryforward	1,418	10,682
Valuation allowance—capital loss carryforward	(1,418)	(4,488)
Warranty, obsolete inventory and bad debt allowance	27,421	16,747
Tax credit carryforwards	3,301	5,032
Other reserves and temporary differences	12,412	5,180
Gross deferred tax assets	61,754	50,687
Deferred tax liabilities:		
Prepaid expenses	(2,367)	(2,098)
Depreciation	(123,044)	(135,065)
Intangible assets	(144,329)	(67,173)
Other reserves and temporary differences	(10,994)	—
Gross deferred tax liabilities	(280,734)	(204,336)
Net deferred tax liabilities	$ (218,980)	$ (153,649)

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Notes to Consolidated Financial Statements—(Continued)

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 35% is as follows (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Tax at U.S. Federal Statutory rate	$ 201,692	$ 105,961	$ 46,623
Increase (decrease) in rates resulting from:			
Foreign tax rate differential	(18,072)	(9,289)	(589)
Non-deductible stock compensation expense	1,024	1,761	632
State taxes, net of federal benefit	27,114	11,276	5,776
Provincial taxes	10,591	6,309	—
Domestic production activities deduction	(9,245)	(7,831)	(3,055)
Acquisition costs	—	4,158	5,380
Federal tax credits	(282)	(962)	—
Release of capital loss valuation allowance	(3,071)	(6,194)	—
Other	2,890	(3,490)	(1,064)
Tax at effective rates	$ 212,641	$ 101,699	$ 53,703

As of September 29, 2012, the Company had a $17.7 million state capital loss carryforward and a state net operating loss carryforward of $11.5 million available to be utilized against future taxable income for years through fiscal 2015 and 2029, respectively, subject to annual limitation pertaining to change in ownership rules under the Internal Revenue Code of 1986, as amended (the "Code"). Based upon earnings history, the Company concluded that it is more likely than not that the net operating loss carryforward will be utilized prior to its expiration but that the capital loss carryforward will not. The Company has recorded a valuation allowance against the entire deferred tax asset balance for the capital loss carryforward

The total amount of unrecognized tax benefits as of September 29, 2012 and September 24, 2011 was $24.0 million and $24.4 million, respectively. The amount of unrecognized tax benefits at September 29, 2012 that would impact the effective tax rate if resolved in favor of the Company is $20.4 million. As a result of prior acquisitions, the Company is indemnified for up to $16.6 million of the total reserve balance, and the indemnification is capped at CDN $37.9 million. If these unrecognized tax benefits are resolved in favor of the Company, the associated indemnification receivable, recorded in other long-term assets would be reduced accordingly. As of September 29, 2012 and September 24, 2011, accrued interest and penalties of $0.6 million and $0.5 million, respectively, were included in the Consolidated Balance Sheets. The Company recognizes interest and penalties in income tax expense. Income tax expense for fiscal 2012 included $0.2 million of interest and penalties.

A reconciliation of increases and decreases in unrecognized tax benefits, including interest and penalties, is as follows (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Gross tax contingencies—balance, beginning of year	$ 24,419	$ 5,480	$ 444
Increases from positions taken during prior periods	2,864	—	—
Decreases from positions taken during prior periods	(4,093)	(236)	—
Increases from positions taken during current periods	906	19,175	5,036
Decreases resulting from the lapse of the applicable statute of limitations	(140)	—	—
Gross tax contingencies—balance, end of year	$ 23,956	$ 24,419	$ 5,480

The Company expects to release $3.6 million of unrecognized tax benefits during fiscal 2013 due to the expiration of the statute of limitations.

As of September 29, 2012, the Company had approximately $108.6 million of undistributed international earnings, most of which are Canadian-sourced. All earnings of the Company's foreign subsidiaries are considered indefinitely reinvested and no U.S. deferred taxes have been provided on those earnings. If these amounts were distributed to the U.S. in the form of dividends or otherwise, the Company would be subject to additional U.S. income taxes, which could be material.

Determination of the amount of any unrecognized deferred income tax on these earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

The Company is subject to income tax in many jurisdictions both inside and outside of the United States and is currently under routine audit by various jurisdictions for fiscal years 2006 through 2011. The Company is no longer subject to U.S. federal examination for years prior to fiscal year 2006.

14. Stockholders' Equity

Stock Issuances

On May 11, 2011, the Company issued 9,479,544 shares of its common stock, par value $0.10 per share, at $71.00 per share, which included 1,290,000 shares purchased by the underwriters pursuant to an overallotment option. The Company also completed a concurrent private placement of 608,342 shares of its common stock to Luigi Lavazza S.p.A. ("Lavazza") at $68.34 per share, pursuant to the Common Stock Purchase Agreement entered into between the Company and Lavazza on May 6, 2011 in accordance with the September 28, 2010 agreement discussed below. The aggregate net proceeds to the Company from the public offering and concurrent private placement were approximately $688.9 million, net of underwriting discounts and commissions and offering expenses. The Company used the proceeds to repay a portion of the outstanding debt under its credit facility and for general corporate purposes.

On September 28, 2010, the Company sold 8,566,649 shares of its common stock, par value $0.10 per share, to Lavazza for aggregate gross proceeds of $250.0 million. The sale was recorded to stockholders' equity net of transaction related expenses of approximately $0.5 million. The shares were sold pursuant to a Common Stock Purchase Agreement which contains a five-and-one-half-year standstill period, subject to certain exceptions, during which Lavazza is prohibited from increasing its ownership of Common Stock or making any proposals or announcements relating to extraordinary Company transactions. The standstill is subject to additional exceptions after a one-year period, including Lavazza's right to purchase additional shares up to 15% of the Company's outstanding shares.

Stock Repurchase Program

On July 30, 2012, the Board of Directors authorized a program for the Company to repurchase up to $500.0 million of the Company's common shares over the next two years, at such times and prices as determined by the Company's management. Consistent with Delaware law, any repurchased shares are constructively retired and returned to an unissued status. Accordingly, the par value of repurchased shares is deducted from common stock and excess repurchase price over the par value is deducted from additional paid-in capital and from retained earnings if additional paid-in capital is depleted.

	Fiscal 2012
Number of shares acquired	3,120,700
Average price per share of acquired shares	$ 24.50
Total cost of acquired shares (in thousands)	$ 76,470

Stock Split

On April 28, 2010, the Company announced that its Board of Directors had approved a three-for-one stock split affected in the form of a stock dividend of two additional shares of the Company's common stock for every one share issued. The additional shares were distributed on May 17, 2010, to stockholders of record at the close of business on May 10, 2010.

The par value of the common stock remained unchanged at $0.10 per share. All share and per share data presented in this report have been adjusted to reflect the stock splits.

Accumulated Other Comprehensive Income (Loss)

Components of accumulated other comprehensive income (loss), net of tax (in thousands) as of:

	September 29, 2012	September 24, 2011
Net unrealized loss on derivatives classified as cash flow hedges	$ (5,792)	$ (5,866)
Foreign currency translation adjustment	15,992	(8,709)
Accumulated other comprehensive income (loss)	$ 10,200	$ (14,575)

The favorable translation adjustment change during fiscal year 2012 was primarily due to the strengthening of the Canadian dollar against the U.S. dollar. The unfavorable translation adjustment change during fiscal year 2011 was primarily due to the weakening of the Canadian dollar against the U.S. dollar. See also Note 11, *Derivative Financial Instruments* .

15. Employee Compensation Plans

Equity-Based Incentive Plans

On March 16, 2006, stockholders of the Company approved the Company's 2006 Incentive Plan (the "2006 Plan"). The 2006 Plan was amended on March 13, 2008 and on March 11, 2010 to increase the total shares of common stock authorized for issuance to 13,200,000. As of September 29, 2012, 5,257,571 shares of common stock were available for grant for future equity-based compensation awards under the plan.

On September 25, 2001, the Company registered on Form S-8 the 2000 Stock Option Plan (the "2000 Plan"). The plan expired in October 2010. Grants under the 2000 Plan generally expire ten years after the grant date, or earlier if employment terminates. As of September 29, 2012, there were no options for shares of common stock available for grant under this plan.

In connection with the acquisition of Keurig, the Company assumed the existing outstanding unvested option awards of the Keurig, Incorporated Fifth Amended and Restated 1995 Stock Option Plan (the "1995 Plan") and the Keurig, Incorporated 2005 Stock Option Plan (the "2005 Plan"). No shares under either the 1995 Plan or the 2005 Plan were eligible for post-acquisition awards. As of September 29, 2012 and September 24, 2011, 2,776 and 6,664 options, respectively, out of the 1,386,909 options for shares of common stock granted were outstanding under the 1995 Plan. As of September 29, 2012 and September 24, 2011, 37,313 options and 136,119 options, respectively, out of the 1,490,577 options granted for shares of common stock were outstanding under the 2005 Plan. All awards assumed in the acquisition were initially granted with a four-year vesting schedule.

On May 3, 2007, Mr. Lawrence Blanford commenced his employment as the President and Chief Executive Officer of the Company. Pursuant to the terms of the employment, the Company made an inducement grant on May 4, 2007, to Mr. Blanford of a non-qualified option to purchase 945,000 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vested in 20% installments on each of the first five anniversaries of the date of the grant.

On November 3, 2008, Ms. Michelle Stacy commenced her employment as the President of Keurig, Incorporated. Pursuant to the terms of the employment, the Company made an inducement grant on November 3, 2008, to Ms. Stacy of a non-qualified option to purchase 157,500 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vest in 25% installments on each of the first four anniversaries of the date of the grant, provided that Ms. Stacy remains employed with the Company on each vesting date.

On February 9, 2009, Mr. Howard Malovany commenced his employment as the Vice President, Corporate General Counsel and Secretary of the Company. Pursuant to the terms of the employment, the Company made an inducement grant on February 9, 2009, to Mr. Malovany of a non-qualified option to purchase 157,500 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vest in 25% installments on each of the first four anniversaries of the date of the grant, provided that Mr. Malovany remains employed with the Company on each vesting date.

On December 17, 2010, Mr. Gérard Geoffrion commenced his employment as the President of CBU. Pursuant to the terms of the employment, the Company made an inducement grant on December 17, 2010, to Mr. Geoffrion of a non-qualified option to purchase 35,000 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vest in 25% installments on each of the first four anniversaries of the date of the grant, provided that Mr. Geoffrion remains employed with the Company on each vesting date.

On December 22, 2010, the Company made an inducement grant to Mr. Sylvain Toutant, Chief Operating Officer of CBU, of a non-qualified option to purchase 20,000 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vest in 25% installments on each of the first four anniversaries of the date of the grant, provided that Mr. Toutant remains employed with the Company on each vesting date.

On February 17, 2011, Ms. Linda Longo-Kazanova commenced her employment as the Vice President, Chief Human

Green Mountain Coffee Roasters, Inc.

Notes to Consolidated Financial Statements—(Continued)

Resources Officer. Pursuant to the terms of the employment, the Company made an inducement grant on February 17, 2011, to Ms. Longo-Kazanova of a non-qualified option to purchase 30,000 shares of the Company's common stock, with an exercise price equal to fair market value on the date of the grant. The shares subject to the option vest in 25% installments on each of the first four anniversaries of the date of the grant, provided that Ms. Longo-Kazanova remains employed with the Company on each vesting date.

Under the 2000 Plan, the option price for each incentive stock option was not less than the fair market value per share of common stock on the date of grant, with certain provisions which increased the option price of an incentive stock option to 110% of the fair market value of the common stock if the grantee owned in excess of 10% of the Company's common stock at the date of grant. The 2006 Plan requires the exercise price for all awards requiring exercise to be no less than 100% of fair market value per share of common stock on the date of grant, with certain provisions which increase the option price of an incentive stock option 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. Options under the 2000 Plan and the 2006 Plan become exercisable over periods determined by the Board of Directors, generally in the range of four to five years.

Option activity is summarized as follows:

	Number of Shares	Weighted Average Exercise Price (per share)
Outstanding at September 24, 2011	8,057,167	$ 9.81
Granted	410,282	$ 49.33
Exercised	(940,369)	$ 3.61
Forfeited/expired	(56,105)	$ 33.09
Outstanding at September 29, 2012	7,470,975	$ 12.56
Exercisable at September 29, 2012	6,064,763	$ 7.01

The following table summarizes information about stock options that have vested and are expected to vest at September 29, 2012:

Number of options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Intrinsic value at September 29, 2012 (in thousands)
7,459,238	5.29	$ 12.50	$ 112,697

The following table summarizes information about stock options exercisable at September 29, 2012:

Number of options exercisable	Weighted average remaining contractual life (in years)	Weighted average exercise price	Intrinsic value at September 29, 2012 (in thousands)
6,064,763	4.67	$ 7.01	$ 106,865

Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on the Company's historical employee turnover experience and future expectations.

The Company uses a blend of recent and historical volatility to estimate expected volatility at the measurement date. The expected life of options is estimated based on options vesting periods, contractual lives and an analysis of the Company's historical experience.

Total unrecognized share-based compensation costs related to unvested stock options expected to vest were approximately $21.1 million as of September 29, 2012. This unrecognized cost is expected to be recognized over a weighted average period of approximately 1.2 years at September 29, 2012. The intrinsic values of options exercised during fiscal years 2012, 2011 and 2010 were approximately $46.6 million, $221.8 million and $49.7 million, respectively. The Company's policy is to issue new shares upon exercise of stock options.

The grant-date fair value of employee share options and similar instruments is estimated using the Black-Scholes option-pricing model with the following assumptions for grants issued during fiscal years 2012, 2011 and 2010:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Average expected life	6 years	6 years	6 years
Average volatility	69%	52%	53%
Dividend yield	—	—	—
Risk-free interest rate	1.31%	2.37%	2.73%
Weighted average fair value	$ 30.10	$ 29.34	$ 15.79

Restricted Stock Units and Awards

The Company awards restricted stock units (“RSUs”) and restricted stock awards (“RSAs”) to eligible employees (“Grantee”) which entitle the Grantee to receive shares of the Company’s common stock as the units vest based on service. RSUs represent units that are convertible to shares upon vesting. RSAs represent grants of common stock that are restricted until the shares vest. In general, the receipt of RSUs and RSAs is subject to the Grantee’s continuing employment. The fair value of RSUs and RSAs is based on the closing price of the Company’s common stock on the grant date. Compensation expense is recognized ratably over the Grantee’s service period. RSUs and RSAs are reserved for issuance under the 2006 Plan and vest over periods determined by the Board of Directors, generally in the range of three to four years. If a Grantee’s employment terminates as the result of retirement, any unvested RSUs as of the date of retirement continue to vest for the shorter of the period of time remaining in the original vesting period or a period of two years from the retirement date.

The following table summarizes the number and weighted average grant date fair value of unvested RSUs (amounts in thousands except grant date fair value and weighted average remaining contractual life):

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (in Years)	Intrinsic Value at September 29, 2012 (in Thousands)
Nonvested, September 24, 2011	—	—	—	—
Granted	82,466	$ 39.73		
Vested	(315)	$ 53.46		
Forfeited	(317)	$ 54.12		
Nonvested, September 29, 2012	81,834	$ 39.62	3.52	$ 1,943

As of September 29, 2012, total RSUs expected to vest totaled 80,892 shares with an intrinsic value of $1.9 million.

Unrecognized compensation expense, net of estimated forfeitures, was $4.4 million as of September 29, 2012 and is expected to be recognized over a weighted average period of approximately 2.3 years.

In addition, in fiscal 2012, the Company issued a grant for 55,432 RSAs with an intrinsic value of $1.3 million as of September 29, 2012, none of which were vested or canceled in fiscal 2012. As of September 29, 2012, total RSAs expected to vest in fiscal 2013 totaled 55,432 shares.

Employee Stock Purchase Plan

On October 5, 1998, the Company registered on Form S-8 the 1998 Employee Stock Purchase Plan. On March 13, 2008, the plan was amended and renamed the Amended and Restated Employee Stock Purchase Plan (“ESPP”). Under this plan, eligible employees may purchase shares of the Company’s common stock, subject to certain limitations, at the lesser of 85 percent of the beginning or ending withholding period fair market value as defined in the plan. There are two six-month withholding periods in each fiscal year. At September 29, 2012, and September 24, 2011, options for 1,559,728 and 1,861,699 shares of common stock were available for purchase under the plan, respectively.

The grant-date fair value of employees’ purchase rights granted during fiscal years 2012, 2011 and 2010 under the Company’s ESPP is estimated using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Average expected life	6 months	6 months	6 months
Average volatility	70%	57%	49%
Dividend yield	—	—	—
Risk-free interest rate	0.09%	0.19%	0.22%
Weighted average fair value	$ 11.61	$ 15.97	$ 7.90

Equity-Based Compensation Expense

Equity-based compensation expense recognized in the Consolidated Statements of Operations in fiscal years 2012, 2011, and 2010 (in thousands):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Options	$ 12,595	$ 8,206	$ 6,584
RSUs/RSAs	1,861	—	—
ESPP	3,412	2,155	1,365
Total stock based compensation expense recognized in the Consolidated Statements of Operations	$ 17,868	$ 10,361	$ 7,949
Total related tax benefit	$ 6,004	$ 3,147	$ 2,576

16. Employee Retirement Plans

Defined Contribution Plans

The Company has a defined contribution plan which meets the requirements of section 401(k) of the Internal Revenue Code. All regular full-time U.S. employees of the Company who are at least eighteen years of age and work a minimum of 36 hours per week are eligible to participate in the plan. The plan allows employees to defer a portion of their salary on a pre-tax basis and the Company contributes 50% of amounts contributed by employees up to 6% of their salary. Company contributions to the plan were $4.4 million, $2.7 million, and $2.0 million, for fiscal years 2012, 2011, and 2010, respectively.

In conjunction with the Van Houtte acquisition, the Company also has several Canadian Group Registered Retirement Savings Plans (“GRRSP”) and a Deferred Profit Sharing Plan (“DPSP”). Under these plans, employees can contribute a certain percentage of their salary and the Company can also make annual contributions to the plans. Company contributions to the Canadian plans were $1.0 million and $0.8 million for fiscal years 2012 and 2011, respectively.

Defined Benefit Plans

The Company has a supplementary defined benefit retirement plan and a supplementary employee retirement plan (collectively the “Plans”) for certain management employees in CBU. The cost of the Plans is calculated according to actuarial methods that encompass management’s best estimate regarding the future evolution of salary levels, the age of retirement of salaried employees and other actuarial factors. These Plans are not funded and there are no plan assets. Future benefits will be paid from the funds of the Company.

The projected benefit obligation was $1.1 million as of September 29, 2012, which is classified in *other long-term liabilities* . The projected benefit obligation was $2.3 million as of September 24, 2011 of which $0.1 million is included in *accrued liabilities* , $1.5 million is classified in *other long-term liabilities* and $0.7 million is classified in *current liabilities related to assets held for sale* . Net periodic pension (income) expense was $(0.1) million and $0.5 million for fiscal years 2012 and 2011, respectively.

17. Employee Stock Ownership Plan

The Company maintained an Employee Stock Ownership Plan (the “ESOP”), which terminated at the end of the 2010 calendar year. The ESOP is qualified under sections 401(a) and 4975(e) (7) of the Internal Revenue Code. All employees of the Company (not including its Keurig subsidiary prior to 2009) with one year or more of service who were at least twenty-one years of age were eligible to participate in the Plan, in accordance with the terms of the Plan. The Company would, at its discretion, contribute shares of Company stock or cash that was used to purchase shares of Company stock. Company contributions were credited to eligible participants' accounts pro-rata based on their compensation. Plan participants became vested in their Plan benefits ratably over four years from the date of hire of the employee.

The Company recorded no compensation costs for fiscal years 2012 and 2011. In fiscal 2010, the Company recorded compensation costs of $1.4 million to accrue for anticipated stock distributions under the ESOP.

There were no unearned shares remaining in the ESOP at September 29, 2012 and September 24, 2011.

After the close of 2010 calendar year, 38,060 shares were transferred from the unallocated ESOP pool of shares and allocated to participants' accounts.

18. Deferred Compensation Plan

The 2002 Deferred Compensation Plan, amended in December 2007, permits certain highly compensated officers and employees of the Company and non-employee directors to defer eligible compensation payable for services rendered to the Company. Participants may elect to receive deferred compensation in the form of cash payments or shares of Company Common Stock on the date or dates selected by the participant or on such other date or dates specified in the Deferred Compensation Plan. The Deferred Compensation Plan is in effect for compensation earned on or after September 29, 2002. As of September 29, 2012, and September 24, 2011, 357,759 shares and 363,940 shares of Common Stock were available for future issuance under this Plan, respectively. During fiscal 2012, rights to acquire 37,005 shares of Common Stock were exercised under this plan. As of September 29, 2012 and September 24, 2011, rights to acquire 55,236 shares and 85,597 shares of Common Stock were outstanding under this Plan, respectively. As of September 29, 2012, no rights to acquire shares of Common Stock were committed under this plan. As of September 24, 2011, rights to acquire 463 shares of Common Stock were committed under this Plan.

19. Commitments and Contingencies

Lease Commitments

The Company leases office and retail space, production, distribution and service facilities, and certain equipment under various non-cancellable operating leases, with terms ranging from one to twenty years. Property leases normally require payment of a minimum annual rental plus a pro-rata share of certain landlord operating expenses. Total rent expense, under all operating leases approximated $25.1 million, $18.1 million and $9.2 million in fiscal years 2012, 2011, and 2010, respectively. The Company has subleases relating to certain of its operating leases. Sublease income approximated $0.3 million, $0.3 million and $0.03 million for fiscal years 2012, 2011 and 2010, respectively.

In addition, the Company leases a manufacturing facility which is accounted for as a capital lease. The initial term of the lease is 15 years with six additional renewal terms of five years each at the Company's option. The lease requires payment of a minimum annual rental and the Company is responsible for property taxes, insurance and operating expenses.

In June 2012, the Company entered into an arrangement to lease properties to be constructed. The newly constructed space will consist of approximately 425,000 square feet located in Burlington, Massachusetts. The Burlington facilities will be used by the KBU segment for administration and research and development and will consolidate the three existing Massachusetts facilities that are currently in Reading, Wakefield and Woburn. The construction and relocation is anticipated to take place in phases over the next several years. Due to the Company's involvement in the construction project, including its obligations to fund certain costs of construction exceeding amounts incurred by the lessor, the Company is deemed, for accounting purposes only, to be the owner of the project, which includes a pre-existing structure on the site, even though the Company is not the legal owner. Accordingly, total project costs incurred during construction are capitalized as construction-in-progress along with a corresponding financing obligation for the project costs that are incurred by the lessor. In addition, the Company capitalized the estimated fair value of the pre-existing structure of $4.1 million at the date construction commenced as construction-in-progress with a corresponding financing obligation. Upon completion of the project, the Company is expecting to have continuing involvement beyond a normal leaseback, and therefore will not be able to record a sale and derecognize the assets when construction is complete. As a result, the lease will be accounted for as a financing transaction and the recorded asset and related financing obligation will remain on the Balance Sheet.

As of September 29, 2012, minimum future minimum lease payments under financing obligations, capital lease obligations and non-cancellable operating leases as well as minimum payments to be received under non-cancellable subleases are as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases	Subleases	Financing Obligations
2013	$ 6,587	$ 17,101	$ (1,242)	$ 816
2014	6,906	14,388	(1,169)	2,213
2015	6,906	13,115	(1,160)	8,660
2016	6,139	9,092	(999)	9,581
2017	3,838	6,502	(697)	9,581
Thereafter	35,817	22,755	(1,964)	123,399
Total	$ 66,193	$ 82,953	$ (7,231)	$ 154,250
Less: amount representing interest	(22,699)			
Present value of future minimum lease payments	$ 43,494			

Because construction is in progress and not complete on the Burlington, Massachusetts facility, the financing obligation recorded as of September 29, 2012 represents only the costs incurred by the lessor through September 29, 2012. The above table for financing obligations represents the portion of the future minimum lease payments which have been allocated to the building and will be recognized as reductions to the financing obligation and as interest expense upon completion of construction.

Legal Proceedings

On October 1, 2010, Keurig, Inc., a subsidiary of the Company ("Keurig"), filed suit against Sturm Foods, Inc. ("Sturm") in the United States District Court for the District of Delaware (Civil Action No. 1:10-CV-00841-SLR) for patent and trademark infringement, false advertising, and other claims, related to Sturm's sale of "Grove Square" beverage cartridges that claim to be compatible with Keurig ® brewers. The suit alleges that the "Grove Square" cartridges contain instant rather than fresh-brewed coffee, improperly use the "Keurig" mark, and do not work safely or effectively in Keurig ® Single Cup Brewers, in addition to violating Keurig patents (U.S. Patent Nos. 7,165,488 and 6,606,938). Keurig seeks an injunction prohibiting Sturm from selling these cartridges, as well as money damages. On October 18, 2010, Keurig requested that the court issue a preliminarily injunction on the use of the "Keurig" mark and false advertising claims pending final resolution of the case. The court denied that request so those issues will be resolved in due course during the litigation.

On November 2, 2011, Keurig filed suit against JBR, INC., d/b/a Rogers Family Company ("Rogers") in the United States District Court for the District of Massachusetts (Civil Action No. 1:11-cv-11941-MBB) for patent infringement related to Rogers' sale of "San Francisco Bay" beverage cartridges for use with Keurig ® brewers. The suit alleges that the "San Francisco Bay" cartridges violate Keurig patents (U.S. Patent Nos. D502,362, 7,165,488 and 7,347,138). Keurig seeks an injunction prohibiting Rogers from selling these cartridges, as well as money damages.

On January 24, 2012, Teashot, LLC ("Teashot") filed suit against the Company, Keurig and Starbucks Corp. ("Starbucks") in the United States District Court for the District of Colorado (Civil Action No. 12-c v-00189-WJM-KMT) for patent infringement related to the making, using, importing, selling and/or offering for sale of K-Cup ® packs containing tea. The suit alleges that the Company, Keurig and Starbucks are violating a Teashot patent (U.S. Patent No. 5,895,672). Teashot seeks an injunction prohibiting the Company, Keurig and Starbucks from continued infringement, as well as money damages. Pursuant to its Manufacturing, Sales and Distribution Agreement with Starbucks, the Company is defending and indemnifying Starbucks in connection with the suit. On March 13, 2012, the Company and Keurig, for themselves and Starbucks, filed an answer with the court, generally denying all of Teashot's allegations. The Company and Keurig, for themselves and Starbucks, intend to vigorously defend this lawsuit. At this time, the Company is unable to predict the outcome of this lawsuit, the potential loss or range of loss, if any, associated with the resolution of this lawsuit or any potential effect it may have on the Company or its operations.

SEC Inquiry

As first disclosed on September 28, 2010, the staff of the SEC's Division of Enforcement continues to conduct an inquiry into matters at the Company. The Company is cooperating fully with the SEC staff's inquiry.

Stockholder Litigation

The Company and certain of its officers and directors are currently subject to three putative securities fraud class actions and three putative stockholder derivative actions. The first consolidated putative securities fraud class action was commenced following the Company's disclosure of the SEC inquiry on September 28, 2010. The second putative securities fraud class action was filed on November 29, 2011, and the third putative securities fraud class action was filed on May 7, 2012. A consolidated putative stockholder derivative action pending in the United States District Court for the District of Vermont consists of four separate putative stockholder derivative complaints, the first two were filed after the Company's disclosure of the SEC inquiry on September 28, 2010, while the others were filed on February 10, 2012 and March 2, 2012, respectively. In addition, a putative stockholder derivative action is pending in the Superior Court of the State of Vermont for Washington County that was commenced following the Company's disclosure of the SEC inquiry on September 28, 2010, and an additional putative stockholder derivative action was filed on July 23, 2012 in the United States District Court for the District of Vermont.

The first consolidated putative securities fraud class action, organized under the caption *Horowitz v. Green Mountain Coffee Roasters, Inc.* , Civ. No. 2:10-cv-00227, is pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. The underlying complaints in the consolidated action allege violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaints include counts for violation of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants, and for violation of Section 20(a) of the Exchange Act against the officer defendants. The plaintiffs seek to represent all purchasers of the Company's securities between July 28, 2010 and September 28, 2010 or September 29, 2010. The complaints seek class certification, compensatory damages, equitable and/or injunctive relief, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until November 29, 2010 to move the court to serve as lead plaintiff of the putative class. On December 20, 2010, the court appointed Jerzy Warchol, Robert M. Nichols, Jennifer M. Nichols, Marc Schmerler and Mike Shanley lead plaintiffs and approved their selection of Glancy Binkow & Goldberg LLP and Robbins Geller Rudman & Dowd LLP as co-lead counsel and the Law Office of Brian Hehir and Woodward & Kelley, PLLC as liaison counsel. On December 29, 2010 and January 3, 2011, two of the plaintiffs in the underlying actions in the consolidated proceedings, Russell Blank and Dan M. Horowitz, voluntarily dismissed their cases without prejudice. Pursuant to a stipulated motion granted by the court on November 29, 2010, the lead plaintiffs filed a consolidated complaint on February 23, 2011, and defendants moved to dismiss that complaint on April 25, 2011. The court heard argument on the motions to dismiss on January 5, 2012. On January 27, 2012, the court issued an order granting defendants' motions and dismissing the consolidated complaint without prejudice and the lead plaintiffs filed a motion for leave to amend the complaint on March 27, 2012. On April 9, 2012, the parties filed a stipulated motion for filing of the amended complaint and to set a briefing schedule for defendants' motions to dismiss. In accordance with the stipulated briefing schedule, Plaintiffs filed their Second Consolidated Amended Complaint on April 30, 2012. Briefing on defendants' motions to dismiss was completed on August 29, 2012. The court has not yet set a date for oral argument.

The second putative securities fraud class action, captioned *Louisiana Municipal Police Employees' Retirement System v. Green Mountain Coffee Roasters, Inc., et al.*, Civ. No. 2:11-cv-00289, was filed on November 29, 2011 and is also pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. The plaintiff's complaint alleges violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaint includes counts for alleged violations of (1) Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act") against various of the Company, certain of its officers and directors, and the Company's underwriters in connection with a May 2011 secondary common stock offering; and (2) Section 10 (b) of the Exchange Act and Rule 10b-5 against the Company and the officer defendants and Section 20(a) of the Exchange Act against the officer defendants. The plaintiff seeks to represent all purchasers of the Company's securities between February 2, 2011 and November 9, 2011. The complaint seeks class certification, compensatory damages, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until January 30, 2012 to move the court to serve as lead plaintiff of the putative class. Competing applications were filed and the Court appointed Louisiana Municipal Police Employees' Retirement System, Sjunde AP-Fonden, Board of Trustees of the City of Fort Lauderdale General Employees' Retirements System, Employees' Retirements System of the Government of the Virgin Islands, and Public Employees' Retirement System of Mississippi as lead plaintiffs' counsel on April 27, 2012. On July 11, 2012, the parties filed a stipulated motion for filing of an amended complaint and to set a briefing schedule for defendants' motions to dismiss. On September 21, 2012, the court granted a request from the parties to amend the schedule for plaintiffs to file an amended complaint and for defendants to move to dismiss. Pursuant to the schedule approved by the court, plaintiffs filed their amended complaint on October 22, 2012, and defendants' motions to dismiss are due on January 18, 2013. The underwriter defendants have notified the Company of their intent to seek indemnification from the Company pursuant to their underwriting agreement dated May 5, 2011 in regard to the claims asserted in this action.

The third consolidated putative securities fraud class action, captioned *Fifield v. Green Mountain Coffee Roasters, Inc.* , Civ. No. 2:12-cv-00091, is pending in the United States District Court for the District of Vermont before the Honorable William K.

Sessions, III. The complaint alleges violations of the federal securities laws in connection with the Company's disclosures relating to its revenues and its forward guidance. The complaint includes counts for violation of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants, and for violation of Section 20(a) of the Exchange Act against the officer defendants. The plaintiff seeks to represent all purchasers of the Company's securities between February 2, 2012 and May 2, 2012. The complaint seeks class certification, compensatory damages, equitable and/or injunctive relief, attorneys' fees, costs, and such other relief as the court should deem just and proper. Pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3), plaintiffs had until July 6, 2012 to move the court to serve as lead plaintiff of the putative class. On July 31, 2012, the court appointed Kambiz Golesorkhi as lead plaintiff and approved his selection of Kahn Swick & Foti LLC as lead counsel. On August 14, 2012, the court granted the parties' stipulated motion for filing of an amended complaint and to set a briefing schedule for defendants' motions to dismiss. Pursuant to the schedule approved by the court, plaintiffs filed their amended complaint on October 23, 2012 and defendants' motions to dismiss are due on January 1, 2013.

The first putative stockholder derivative action, a consolidated action captioned *In re Green Mountain Coffee Roasters, Inc . Derivative Litigation* , Civ. No. 2:10-cv-00233, premised on the same allegations asserted in the putative securities class action complaints described above, is pending in the United States District Court for the District of Vermont before the Honorable William K. Sessions, III. On November 29, 2010, the federal court entered an order consolidating two actions and appointing the firms of Robbins Umeda LLP and Shuman Law Firm as co-lead plaintiffs' counsel. On February 23, 2011, the federal court approved a stipulation filed by the parties providing for a temporary stay of that action until the court rules on defendants' motions to dismiss the consolidated complaint in the putative securities fraud class action. On March 7, 2012, the federal court approved a further joint stipulation continuing the temporary stay until the court either denies a motion to dismiss the putative securities fraud class action or the putative securities fraud class action is dismissed with prejudice. On April 27, 2012, the federal court entered an order consolidating the stockholder derivative action captioned *Himmel v. Robert P. Stiller, et al.* , with two additional putative derivative actions *Musa Family Revocable Trust v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00029, and *Laborers Local 235 Benefit Funds v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00042. On November 14, 2012, the federal court entered an order consolidating an additional stockholder derivative action, captioned as *Henry Cargo v. Robert P. Stiller, et al.* , Civ. No. 2:12-cv-00161, and granting plaintiffs leave to lift the stay for the limited purpose of filing a consolidated complaint. The consolidated complaint is asserted nominally on behalf of the Company against certain of its officers and directors. The consolidated complaint asserts claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment, contribution, and indemnification and seeks compensatory damages, injunctive relief, restitution, disgorgement, attorney's fees, costs, and such other relief as the court should deem just and proper.

The second putative stockholder derivative action, *M. Elizabeth Dickinson v. Robert P. Stiller, et al.* , Civ. No. 818-11-10, is pending in the Superior Court of the State of Vermont for Washington County and is premised on the same allegations alleged in the first consolidated putative securities fraud class action. The complaint is asserted nominally on behalf of the Company against certain of its directors and officers. The complaint asserts claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets. The complaint seeks compensatory damages, injunctive relief, restitution, disgorgement, attorneys' fees, costs, and such other relief as the court should deem just and proper. On February 28, 2011, the court approved a stipulation filed by the parties similarly providing for a temporary stay of that action until the federal court rules on defendants' motions to dismiss the consolidated complaint in the first putative securities fraud class action. The action remains stayed pending the federal court's decision on the Company's pending motion to dismiss the Second Consolidated Amended Complaint in the first putative securities fraud class action.

The Company and the other defendants intend to vigorously defend all the pending lawsuits. Additional lawsuits may be filed and, at this time, the Company is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if any, associated with the resolution of these lawsuits or any potential effect they may have on the Company or its operations.

20. Related Party Transactions

The Company uses travel services provided by Heritage Flight, a charter air services company acquired in September 2002 by Mr. Stiller, who serves on the Company's Board of Directors. For fiscal years 2012, 2011, and 2010, the Company incurred expenses of \$0.7 million, \$0.7 million, and \$0.4 million, respectively, for Heritage Flight travel services.

21. Earnings Per Share

The following table sets forth the computation of basic and diluted income per share (dollars in thousands, except share and per share data):

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Numerator for basic and diluted earnings per share:			
Net income attributable to GMCR	$ 362,628	$ 199,501	$ 79,506
Denominator:			
Basic weighted average shares outstanding	154,933,948	146,214,860	131,529,412
Effect of dilutive securities—stock options	4,141,698	5,927,574	6,304,711
Diluted weighted average shares outstanding	159,075,646	152,142,434	137,834,123
Basic net income per common share	$ 2.34	$ 1.36	$ 0.60
Diluted net income per common share	$ 2.28	$ 1.31	$ 0.58

For the fiscal years 2012, 2011, and 2010; 763,000, 199,000, and 318,000 equity-based awards for shares of common stock, respectively, have been excluded in the calculation of diluted earnings per share because they were antidilutive.

22. Unaudited Quarterly Financial Data

The following table presents the quarterly information for fiscal 2012 (dollars in thousands, except per share data). Each fiscal quarter comprises 13 weeks, except the fiscal quarter ended September 29, 2012 which is comprised of 14 weeks.

Fiscal 2012	December 24, 2011	March 24, 2012	June 23, 2012	September 29, 2012
Net sales	$ 1,158,216	$ 885,052	$ 869,194	$ 946,736
Gross profit	$ 336,604	$ 313,038	$ 303,311	$ 316,446
Net income attributable to GMCR	$ 104,414	$ 93,031	$ 73,296	$ 91,887
Earnings per share:				
Basic	$ 0.67	$ 0.60	$ 0.47	$ 0.59
Diluted	$ 0.66	$ 0.58	$ 0.46	$ 0.58

The following table presents the quarterly information for fiscal 2011 (dollars in thousands, except per share data). Each fiscal quarter comprises 13 weeks.

Fiscal 2011	December 25, 2010(1)	March 26, 2011	June 25, 2011	September 24, 2011
Net sales	$ 574,148	$ 647,658	$ 717,210	$ 711,883
Gross profit	$ 143,600	$ 242,855	$ 264,080	$ 254,090
Net income attributable to GMCR	$ 2,412	$ 65,372	$ 56,348	$ 75,369
Earnings per share:				
Basic	$ 0.02	$ 0.46	$ 0.38	$ 0.49
Diluted	$ 0.02	$ 0.44	$ 0.37	$ 0.47

(1) As retrospectively adjusted upon finalization of the Van Houtte valuation and purchase price allocation.

The following table presents the quarterly information for fiscal 2010 (dollars in thousands, except per share data). Each fiscal quarter comprises 13 weeks.

Fiscal 2010	December 26, 2009(1)	March 27, 2010(1)	June 26, 2010	September 25, 2010
Net sales	$ 345,152	$ 321,953	$ 316,583	$ 373,087
Gross profit	$ 95,577	$ 107,850	$ 108,885	$ 113,446
Net income attributable to GMCR	$ 10,060	$ 24,055	$ 18,400	$ 26,991
Earnings per share:				
Basic	$ 0.08	$ 0.18	$ 0.14	$ 0.20
Diluted	$ 0.07	$ 0.17	$ 0.13	$ 0.20

(1) Restated to reflect a 3-for-1 stock split effective May 17, 2010.

Schedule II—Valuation and Qualifying Accounts
For the Fiscal Years Ended
September 29, 2012, September 24, 2011, and September 25, 2010
(Dollars in thousands)

Description	Balance at Beginning of Period	Acquisitions (Dispositions)	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:					
Fiscal 2012	$ 3,404	$ (299)	$ 3,197	$ 3,552	$ 2,750
Fiscal 2011	$ 1,314	$ 1,115	$ 2,584	$ 1,609	$ 3,404
Fiscal 2010	$ 983	$ 333	$ 610	$ 612	$ 1,314

Description	Balance at Beginning of Period	Acquisitions (Dispositions)	Charged to Costs and Expenses	Deductions	Balance at End of Period
Sales returns reserve:					
Fiscal 2012	$ 18,302	$ —	$ 107,436	$ 93,971	$ 31,767
Fiscal 2011	$ 12,742	$ —	$ 64,457	$ 58,897	$ 18,302
Fiscal 2010	$ 3,809	$ 31	$ 40,139	$ 31,237	$ 12,742

Description	Balance at Beginning of Period	Acquisitions (Dispositions)	Charged to Costs and Expenses	Deductions	Balance at End of Period
Warranty reserve(1):					
Fiscal 2012	$ 14,728	$ —	$ 37,390	$ 31,900	$ 20,218
Fiscal 2011	$ 6,694	$ —	$ 35,450	$ 27,416	$ 14,728
Fiscal 2010	$ 724	$ —	$ 14,780	$ 8,810	$ 6,694

(1) Includes warranty recoveries from suppliers of $8.3 million and $6.0 for fiscal 2012 and 2010, respectively. There were no recoveries during fiscal 2011.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

During the fourth quarter of fiscal 2012, under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 29, 2012, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and were effective.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the issuer’s principal executive and principal financial officers, or persons performing similar functions, and effected by issuer’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles,
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the criteria in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon that evaluation, management concluded we maintained effective internal controls over financial reporting as of September 29, 2012 based on the criteria established in *Internal Control—Integrated Framework* issued by the COSO.

The effectiveness of the Company's internal control over financial reporting as of September 29, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended September 29, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

GREEN MOUNTAIN COFFEE ROASTERS, INC,

Annual Report on Form 10-K
PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except for the information regarding the Company's executive officers, the information called for by this Item is incorporated by reference in this report to our definitive Proxy Statement for the Company's Annual Meeting of Stockholders to be held in March 2013, which will be filed not later than 120 days after the close of our fiscal year ended September 29, 2012 (the "Definitive Proxy Statement").

For information concerning the executive officers of the Company, see "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K.

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 and Related Stockholder Matters

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, and Director Independence

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

Exhibit No.	Exhibit Title
3.1	Restated Certificate of Incorporation dated November 10, 2011 (incorporated by reference to Exhibit 3.1 in the Annual Report on Form 10-K for the fiscal year ended September 24, 2011).
3.1.1	Certificate of Amendment to Restated Certificate of Incorporation, dated April 3, 2012 (incorporated by reference to Exhibit 3.1 in the Quarterly Report on Form 10-Q for the thirteen weeks ended March 24, 2012).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 in the Annual Report on Form 10-K for the fiscal year ended September 27, 2008).
4.1	Amended and Restated Credit Agreement dated as of June 9, 2011 among Green Mountain Coffee Roasters, Inc., Bank of America, N.A., and the other lender parties thereto (incorporated by reference to Exhibit 4.1 in the Quarterly Report on Form 10-Q for the thirteen weeks ended June 25, 2011).
4.1.1	Amendment No. 1, dated as of March 13, 2012, to that certain Amended and Restated Credit Agreement, dated as of June 9, 2011, among Green Mountain Coffee Roasters, Inc., Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 4.1 in the Quarterly Report on Form 10-Q for the thirteen weeks ended March 24, 2012).
10.1	Amended and Restated Lease Agreement, dated November 6, 2007 between Pilgrim Partnership L.L.C. and Green Mountain Coffee, Inc. (incorporated by reference to Exhibit 10.1 in the Annual Report on Form 10-K for the fiscal year ended September 28, 2007).
10.2	Green Mountain Coffee Roasters, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 in the Quarterly Report on Form 10-Q for the quarter ended March 29, 2008).*
10.3	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.*
10.4	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).*
10.5	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*
10.6	Green Mountain Coffee Roasters, Inc., Employee Stock Ownership Plan. (incorporated by reference to Exhibit 10.6 in the Annual Report on Form 10-K for the fiscal year ended September 26, 2009).

10.6.1	Amendment to Green Mountain Coffee Roasters, Inc. Employee Stock Ownership Plan. (incorporated by reference to Exhibit 10.6.1 in the Annual Report on Form 10-K for the fiscal year ended September 26, 2009).
10.7	Green Mountain Coffee Roasters, 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).
10.8	Loan Agreement by and between the Green Mountain Coffee Roasters, 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).
10.9	2002 Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.9 in the Annual Report on Form 10-K for the fiscal year ended September 27, 2008).*
10.10	Employment Agreement between Green Mountain Coffee Roasters, Inc. and Frances G. Rathke dated as of October 31, 2003 (incorporated by reference to Exhibit 10.6 in the Quarterly Report on Form 10-Q for the quarter ended March 28, 2009).*
10.11	Letter from Green Mountain Coffee Roasters, Inc. to Frances G. Rathke re: Deferred Compensation Agreement dated as December 7, 2006 (incorporated by reference to Exhibit 10.11 in the Annual Report on Form 10-K for the fiscal year ended September 27, 2008).*
10.12	Lease Agreement dated November 15, 2005 between Pilgrim Partnership, LLC and the Company (incorporated by reference to Exhibit 10.21 in Annual Report on Form 10-K for the fiscal year ended September 24, 2005).
10.13	Amended and Restated Green Mountain Coffee Roasters, Inc. 2006 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 16, 2010).* (a) Form of Stock Option Agreement*
10.14	Keurig, Incorporated Fifth Amended and Restated 1995 Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 filed on June 22, 2006).*
10.15	Keurig, Incorporated 2005 Stock Option Plan (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8 filed on June 22, 2006).*
10.16	Employment Agreement dated May 3, 2007 between Green Mountain Coffee Roasters, Inc. and Lawrence J. Blanford (incorporated by reference to Exhibit 10.28 to the Annual Report on Form 10-K for the year ended September 28, 2007).*
10.17	Lease Agreement dated August 16, 2007 between Keurig, Incorporated and Brookview Investments, LLC. (incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K for the year ended September 28, 2007).
10.18	2008 Change-In-Control Severance Benefit Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 29, 2008).
10.19	Green Mountain Coffee Roasters, Inc. Senior Executive Officer Short Term Incentive Compensation Plan (incorporated by reference to Appendix D of the Definitive Proxy Statement for the March 13, 2008 Annual Meeting of Stockholders).*

10.20	Agreement of Sale dated June 2, 2008 by and between MS Plant, LLC and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 28, 2008).
10.21	Settlement and License Agreement dated October 23, 2008 by and between Keurig, Incorporated and Kraft Foods Inc., Kraft Foods Global Inc., and Tassimo Corporation (incorporated by reference to Exhibit 10.27 in the Annual Report on Form 10-K for the fiscal year ended September 27, 2008).
10.22	Letter from Green Mountain Coffee Roasters, Inc. to Scott McCreary re: Offer Letter dated as September 10, 2004 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended December 27, 2008).*
10.23	Letter from Green Mountain Coffee Roasters, Inc. to Howard Malovany re: Offer Letter dated as January 8, 2009 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 28, 2009).*
10.24	Letter from Green Mountain Coffee Roasters, Inc. to Michelle Stacy re: Offer Letter dated as March 16, 2009 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 28, 2009).*
10.25	Letter from Green Mountain Coffee Roasters, Inc. to Scott McCreary re: Letter Amendment dated as December 29, 2008 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 28, 2009).*
10.26	Letter from Green Mountain Coffee Roasters, Inc. to Steve Sabol re: Letter Amendment dated as December 31, 2008 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended March 28, 2009).*
10.27	Share Purchase Agreement dated November 13, 2009 by and between Timothy's Coffees of the World, Inc., World Coffee Group S.á.r.l., Green Mountain Coffee Roasters, Inc. and Timothy's Acquisition Corporation (incorporated by reference to Exhibit 2.1 on Form 8-K filed on November 13, 2009).
10.28	Common Stock Purchase Agreement dated August 10, 2010 by and between Luigi Lavazza S.p.A. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 11, 2010).
10.29	Registration Rights Agreement dated September 28, 2010 by and between Luigi Lavazza S.p.A. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.29 in the Annual Report on Form 10-K for the fiscal year ended September 25, 2010).
10.30	Form of Indemnification Agreement dated August 10, 2010 by and between the Directors of Green Mountain Coffee Roasters, Inc. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.30 in the Annual Report on Form 10-K for the fiscal year ended September 25, 2010).
10.31	Form of Indemnification Agreement dated August 10, 2010 by and between the Executive Officers of Green Mountain Coffee Roasters, Inc. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.31 in the Annual Report on Form 10-K for the fiscal year ended September 25, 2010).
10.32	Share Purchase Agreement dated September 14, 2010 by and between LJVH S.á.r.l., Fonds de solidarité des Travailleurs du Québec (F.T.Q.), LJ Coffee Agent, LLC, Green Mountain Coffee Roasters, Inc., and SSR Acquisition Corporation (incorporated by reference to Exhibit 10.32 in the Annual Report on Form 10-K for the fiscal year ended September 25, 2010).

10.33	Common Stock Purchase Agreement dated May 6, 2011 by and between Luigi Lavazza S.p.A. and Green Mountain Coffee Roasters. Inc. (incorporated by reference to Exhibit 10.1 on Form 8-K filed on May 6, 2011).
10.34	Amendment dated May 18, 2011 to Common Stock Purchase Agreement dated August 10, 2010 by and between Luigi Lavazza S.p.A. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.34 in the Annual Report on Form 10-K for the fiscal year ended September 24, 2011)
10.35	Letter from Green Mountain Coffee Roasters, Inc. to Stephen L. Gibbs re: Offer Letter dated as July 20, 2011 (incorporated by reference to Exhibit 10.1 on Form 8-K filed on August 22, 2011).*
10.36	Employment Agreement dated February 1, 2012 between Green Mountain Coffee Roasters, Inc. and Lawrence J. Blanford.
10.37	Amendment dated February 23, 2012 to Common Stock Purchase Agreement dated August 10, 2010 by and between Luigi Lavazza S.p.A. and Green Mountain Coffee Roasters, Inc. (incorporated by reference to Exhibit 10.2 in the Quarterly Report on Form 10-Q for the thirteen weeks ended March 24, 2012)
10.38	Lease Agreement dated June 19, 2012 between Burlington Crossing Realty Trust and the Company (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10-Q for the thirteen weeks ended June 23, 2012).
10.39	Lease Agreement dated March 21, 2011 between 124 Technology Park Way, LLC and the Company (incorporated by reference to Exhibit 10.2 in the Quarterly Report on Form 10-Q for the thirteen weeks ended June 23, 2012).
10.40	Employment Agreement dated October 15, 2012 between Green Mountain Coffee Roasters, Inc. and Gerard Geoffrion.
10.41	Employment Agreement dated October 15, 2012 between Green Mountain Coffee Roasters, Canada and Sylvain Toutant.
10.42	Employment Agreement dated November 16, 2012 between Green Mountain Coffee Roasters, Inc. and Brian P. Kelley (incorporated by reference to Exhibit 10.1 in the Report on Form 8-K filed on November 20, 2012).
21	Subsidiary List.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Principal Financial Officer Certification Pursuant 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Company’s Annual Report on Form 10-K for the fiscal year ended September 29, 2012 formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders’ Equity, (iv) the Consolidated Statements of Comprehensive Income (v) the Consolidated Statements of Cash Flows and (vi) related notes.

* Management contract or compensatory plan

SIGNATURES

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

GREEN MOUNTAIN COFFEE ROASTERS, INC.

By: /s/ Frances G. Rathke

FRANCES G. RATHKE
Chief Financial Officer and Treasurer

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/ Lawrence J. Blanford LAWRENCE J. BLANFORD	President, Chief Executive Officer and Director (Principal Executive Officer)	November 27, 2012
/s/ Frances G. Rathke FRANCES G. RATHKE	Chief Financial Officer, Treasurer, and Secretary (Principal Financial Officer)	November 27, 2012
/s/ Stephen L. Gibbs STEPHEN L. GIBBS	Chief Accounting Officer (Principal Accounting Officer)	November 27, 2012
/s/ Robert P. Stiller ROBERT P. STILLER	Director and Founder	November 27, 2012
/s/ Barbara Carlini BARBARA CARLINI	Director	November 27, 2012
/s/ Jules A. del Vecchio JULES A. DEL VECCHIO	Director	November 27, 2012
/s/ Michael Mardy MICHAEL MARDY	Interim Chairman of the Board of Directors	November 27, 2012
/s/ Hinda Miller HINDA MILLER	Director	November 27, 2012
/s/ David E. Moran DAVID E. MORAN	Director	November 27, 2012
/s/ Norman H. Wesley NORMAN H. WESLEY	Director	November 27, 2012

Exhibit 10.36

EMPLOYMENT AGREEMENT

AGREEMENT made and entered into in Waterbury, Vermont, by and between Green Mountain Coffee Roasters, Inc. (the "Company"), a Delaware corporation with its principal place of business in Waterbury, Vermont, and Lawrence J. Blanford, of South Burlington, Vermont (the "Executive"), effective as of the 1st day of February, 2012 (the "Effective Date").

WHEREAS, the Executive has been employed by the Company as its President and Chief Executive Officer since May 2007;

WHEREAS, the operations of the Company and its Affiliates are a complex matter requiring direction and leadership in a variety of areas, including financial, strategic planning, regulatory, community relations and others;

WHEREAS, the Executive is experienced in all phases of the Company's business and possesses an intimate knowledge of the business and affairs of the Company and its Affiliates and its policies, procedures, methods and personnel; and

WHEREAS, subject to the terms and conditions hereinafter set forth, the Company therefore wishes to continue to employ the Executive as its President and Chief Executive Officer and the Executive wishes to accept such employment;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions and conditions set forth in this Agreement, the parties hereby agree:

1. Employment. Subject to the terms and conditions set forth in this Agreement, the Company hereby offers, and the Executive hereby accepts, employment.

2. Term. Subject to earlier termination as hereafter provided, the Executive's employment hereunder shall be for the period commencing on the Effective Date hereof and ending on the earlier to occur of (i) the termination of the Executive's employment hereunder pursuant to Section 5 and (ii) December 31, 2013 (the "Term"), and may be extended or renewed only by a written agreement signed by the Executive and an expressly authorized representative of the Company. The term of this Agreement is hereafter referred to as "the term of this Agreement" or "the term hereof".

3. Capacity and Performance.

(a) During the Term, other than during the Transition Period (as defined in Section 5(g) below), the Executive shall serve the Company as its President and Chief Executive Officer. In addition, and without further compensation, other than during the Transition Period, (i) the Board of Directors (the "Board") will, so long as Executive is employed hereunder, renominate as necessary and recommend the Executive's election to continue to serve as a member of the Board and the Executive shall so serve if elected or reelected, and (ii) the Executive shall serve as a director and/or officer of one or more of the Company's Affiliates if so elected or appointed from time to time.

(b) As a condition of employment, the Executive has executed the Company's Code of Conduct and has agreed to fully abide by its terms and conditions throughout the Term and to reaffirm his compliance annually with such Code of Conduct or similar policy.

(c) During the Term, the Executive shall be employed by the Company on a full-time basis and shall perform the duties and responsibilities of his position, together with such other duties and responsibilities on behalf of the Company and its Affiliates as may reasonably be designated from time to time by the Board.

(d) During the Term, the Executive shall devote his full business time, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company and its Affiliates and to the discharge of his duties and responsibilities hereunder. The Executive shall not engage in any other business activity or serve in any industry, trade, professional or governmental position during the Term, except as may be expressly approved in advance by the Board in writing. The Executive may participate in reasonable charitable and academic endeavors (including as a board member) so long as they do not materially interfere with his duties hereunder. The Executive's service on the Board of Trustees of St. Michael's College in Essex, Vermont is specifically approved in this Agreement.

(e) Upon advance approval by the Company's Governance and Nominating Committee, which approval shall not be unreasonably withheld, the Executive may serve as an outside director of other companies, including public companies, so long as in the reasonable judgment of the Board such activities do not interfere with the performance of his duties as Chief Executive Officer of the Company.

4. Compensation and Benefits. As compensation for all services performed by the Executive under and during the Term, and subject to performance of the Executive's duties and fulfillment of the obligations of the Executive to the Company and its Affiliates, pursuant to this Agreement or otherwise:

(a) Base Salary. During the Term, the Company shall pay the Executive a base salary at the rate of Nine Hundred Fifty Thousand Dollars ($950,000) per annum, payable in bi-weekly installments in accordance with the regular payroll practices of the Company for its executives (the "Base Salary").

(b) Short-Term Incentive Compensation. The Executive shall be eligible to participate in the Company's Short-Term Incentive Plan ("STIP") made available to senior executives of the Company, in accordance with the terms thereof, as in effect and as amended from time to time. In each year of the Term, the Executive shall be eligible to earn an annual STIP Bonus with a target of one hundred percent (100%) of Base Salary, which bonuses shall be subject to and payable in accordance with the terms set forth in the STIP, but in no event shall such bonuses be paid any later than the applicable two and one-half (2-1/2) month period for short-term deferrals as provided in 26 CFR §1.409A-1(b)(4). Any STIP Bonus paid to the Executive shall be in addition to the Base Salary. The criteria for earning a STIP Bonus shall be governed by the terms of the STIP or as may be determined by the Company's Compensation and Organizational Development Committee or Board, as the case may be.

(c) Long-Term Incentive Compensation . The Executive will receive a grant, on or about March 22, 2012, or such other date as equity grants are otherwise made generally to the Company's executives (the "Effective Grant Date") of Restricted Stock or Restricted Stock Units having a value of $3 million on the Effective Grant Date, which will cliff vest on the earlier of (i) Executive's Retirement Date (as defined in Section 5(g) below), (ii) his date of termination due to his death (as defined in Section 5(a), due to his disability (as defined in Section 5(b), for Good Reason (as defined in Section 5(e), or other than for Cause (as defined in Section 5(d)), and (iii) December 31, 2013. For calendar year 2013, the Executive will be considered for a long-term award by the Board in the ordinary course when the 2013 awards for other active officers are reviewed.

(d) Stock Options . The Executive acknowledges that promptly following the date the Executive commenced employment in May 2007, the Company granted to the Executive an option to purchase 70,000 shares of the Company's common stock, with an exercise price equal to fair market value on the date of grant, vesting at the rate of twenty percent (20%) on each of the first five (5) anniversaries of the date of grant, provided that the Executive was still employed by the Company on each such vesting date. (The final twenty percent is scheduled to vest in May 2012.) All options granted to the Executive by the Company are subject to any applicable stock option plan, option certificate, and shareholder and/or option holder agreements and other restrictions and limitations generally applicable to equity held by Company executives or otherwise required by law. The Executive shall not be eligible to receive any stock options, restricted stock or other equity of the Company, however, whether under an equity incentive plan or otherwise, except as expressly provided in this Agreement or as otherwise authorized for him expressly by the Board.

(e) Vacations . During the Term, the Executive shall be entitled to paid vacation at the rate of four (4) weeks per year, such vacation to be taken at such times and intervals as shall be determined by the Executive, subject to the reasonable business needs of the Company. Unused vacation hours may be carried over from year to year, up to a cumulative maximum of one hundred sixty (160) hours, pursuant to the terms of the Company's Combined Time Off ("CTO") program, in effect and as amended from time to time.

(f) Other Benefits . During the Term, the Executive shall be entitled to participate in any and all employee benefit plans from time to time in effect for employees of the Company generally, except to the extent any such employee benefit plan is in a category of benefit otherwise provided to the Executive (e.g., a severance pay benefit), in which case the Executive shall be eligible for the benefit as set forth in this Agreement. The Executive's benefit participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies. The Company may alter, modify, add to or terminate its employee benefit plans at any time as it, in its sole judgment, determines to be appropriate, without recourse by the Executive.

(g) Business Expenses . The Company shall pay or reimburse the Executive for all reasonable, customary and necessary business and travel expenses incurred or paid by the Executive in the performance of his duties and responsibilities hereunder, subject to any maximum annual limit and other restrictions on such expenses set by the Board and to such reasonable substantiation and documentation requirements as may be specified by the Company from time to time. The Company agrees to pay or reimburse the Executive for reasonable legal fees incurred by him in the review and documentation of this Agreement in an amount not to exceed $50,000. The Company shall make such reimbursement payments under this Section 4(g) to Executive within thirty (30) days of the submission of proper substantiation. In the case of any reimbursement to which the Executive is entitled under this Agreement, including without limitation under this Section 4(g), and that would constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the following additional rules shall apply: (i) the reimbursable expense must have been incurred, except as otherwise expressly provided in this Agreement, during the Term; (ii) the amount of expenses eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement in any other calendar year; (iii) the reimbursement shall be made, if at all, not later than December 31 of the calendar year following the calendar year in which the expense was incurred; and (iv) the Executive's entitlement to reimbursement shall not be subject to liquidation or exchange for another benefit.

(h) Reserved.

(i) Term Life Insurance . During the Term, the Company shall maintain and pay, or reimburse the Executive, for a term life insurance policy for the benefit of the Executive and his beneficiaries, with a death benefit no less than the Executive's Base Salary. The proceeds of such policy shall be paid to the Executive's beneficiaries in the event of the Executive's death during the term of the Executive's employment hereunder.

5. Termination of Employment and Severance Benefits . Notwithstanding the provisions of Section 2 hereof, the Executive's employment under this Agreement shall terminate prior to the expiration of the Term under the following circumstances:

(a) Death . In the event of the Executive's death during the Term, the Executive's employment shall immediately and automatically terminate. In such event, the Company shall pay to the Executive's designated beneficiary or, if no beneficiary has been designated by the Executive in writing, to his estate, (i) any Base Salary earned but not paid during the final payroll period of the Executive's employment through the date of termination, (ii) pay for any vacation time earned but not used through the date of termination, (iii) any STIP, LTIP or other bonus compensation owed for the year preceding that in which termination occurs, but unpaid on the date of termination, and (iv) any business expenses incurred by the Executive but un-reimbursed as of the date of termination, provided that such expenses and required substantiation and documentation are known to the Company and that such expenses are reimbursable under Company policy (all of the foregoing, "Final Compensation"). Final Compensation shall be paid no later than seventy-five (75) days after such termination. Additionally, in the event of the Executive's death during the Term, the Company shall pay the monthly premium costs to continue medical and dental insurance for the Executive's immediate family (and who are "qualified beneficiaries" within the meaning of Section 4980B(g)(1)(A) of the Code) pursuant to the federal law commonly known as "COBRA," ("COBRA") for a period of thirty-six (36) months; and, if death occurs following termination of employment and a timely COBRA election has been made, the Company shall pay such monthly premium costs for a total of thirty-six (36) months, measured from the date of termination. The Company shall also assist the Executive's beneficiaries and/or estate to obtain the life insurance death benefit provided in Section 4(i) herein. The Company shall have no further obligation to the Executive hereunder; provided, however, that the Executive's beneficiary or estate shall be entitled to exercise any options which are vested as of the date of the Executive's death, for not less than one year from such death, and to receive other equity rights of the Executive which are vested as of, or become vested as of, the date of the Executive's death, in accordance with the terms of the applicable equity plans and any related agreements.

(b) Disability .

(i) The Company may terminate the Executive's employment, upon notice to the Executive, in the event that the Executive becomes disabled during his employment hereunder through any illness, injury, accident or condition of either a physical or psychological nature and, as a result, is unable to perform substantially all of his duties and responsibilities hereunder, notwithstanding the provision of any reasonable accommodation, for one hundred eighty five (185) days during any period of three hundred and sixty-five (365) consecutive calendar days. In the event of such termination, the Company shall have no further obligation to the Executive, other than for payment of Final Compensation within ninety (90) days of such termination, and the options and other equity granted by the Company or its subsidiaries shall be exercisable, or become exercisable, in accordance with the terms of the applicable equity plans and related agreements, as modified herein. Anything in the plans and agreements to the contrary notwithstanding, the Board has agreed that Executive shall have a period of one year from the date of such termination to exercise any stock options which are vested as of, or become vested as of, the date of termination.

(ii) The Board may designate another employee to act in the Executive's place during any period of the Executive's disability. Notwithstanding any such designation, the Executive shall continue to receive the Base Salary in accordance with Section 4(a) and benefits in accordance with Section 4(f), to the extent permitted by the then-current terms of the applicable benefit plans, until the Executive becomes eligible for disability income benefits under the Company's disability income plan or until the termination of his employment, whichever shall first occur.

(iii) While receiving disability income payments under the Company's disability income plan, the Executive shall not be entitled to receive any Base Salary under Section 4(a) hereof, but shall continue to participate in Company employee benefit plans in accordance with Section 4(f) and the terms of such plans, until the termination of his employment.

(iv) If any question shall arise as to whether, during any period, the Executive is disabled through any illness, injury, accident or condition of either a physical or psychological nature so as to be unable to perform substantially all of his duties and responsibilities hereunder (notwithstanding the provision of any reasonable accommodation), the Executive may, and at the request of the Company shall, submit to a medical examination by a physician selected by the Company to whom the Executive or his duly appointed guardian, if any, has no reasonable objection to determine whether the Executive is so disabled, and such determination shall for the purposes of this Agreement be conclusive of the issue. If such question shall arise and the Executive shall unreasonably fail to submit to a requested medical examination, the Company's determination of the issue shall be binding on the Executive.

(v) The Executive may, in his discretion, seek to obtain at his own expense additional disability coverage. The Company shall not be responsible for obtaining or paying for any such additional coverage or for providing to the Executive any disability benefits other than those provided under the Company's disability plans applicable to employees generally, but at the Executive's request the Company shall provide such information and related advice and assistance as in the Company's determination is feasible under the circumstances and reasonably likely to assist the Executive in identifying and obtaining such coverage.

(c) By the Company for Cause. The Company may terminate the Executive's employment hereunder for Cause at any time during the term of this Agreement upon notice to the Executive setting forth in reasonable detail the nature of such Cause. The following, as determined by the Board in its reasonable judgment, shall constitute Cause for termination:

(i) The Executive's substantial and ongoing failure to perform (other than by reason of death or disability), or gross negligence in the performance of, his duties and responsibilities to the Company or any of its Affiliates;

(ii) Knowing and material breach by the Executive of any provision of this Agreement which causes substantial damage to the Company or any of its Affiliates, provided that the Executive has been given a reasonable opportunity to cure any such material breach after notice from the Company, and such material breach has not been cured by the Executive;

(iii) The Executive engages in embezzlement or other dishonest conduct which causes material harm to the Company or any of its Affiliates;

(iv) Other gross misconduct by the Executive that is substantially harmful to the business, interests or reputation of the Company or any of its Affiliates; or

(v) Commission of a felony involving moral turpitude.

The Company may not terminate the Executive for Cause pursuant to Section 5(c)(i) during the Transition Period.

Upon the giving of notice of termination of the Executive's employment hereunder for Cause, the Company shall have no further obligation to the Executive, other than for Final Compensation which shall be paid within seventy-five (75) days of such termination. All options to purchase shares of stock that were not exercisable on the date of termination will be forfeited, and will terminate immediately upon the date of termination; provided, however that pursuant to this Section 5(c), the Executive shall be entitled to exercise any options that were vested as of the termination date, and to receive any other equity rights that are vested as of the date of any termination, in accordance with the terms of the applicable equity plans and related agreements, as modified herein.

(d) By the Company Other than for Cause .

(i) The Company may terminate the Executive’s employment hereunder other than for Cause at any time upon notice to the Executive.

(ii) Reserved.

(iii) Except in connection with a termination by the Company of the Executive other than for Cause pursuant to Section 5(h) herein (Section 5(h) referring to a termination of employment in connection with a Change in Control), in the event of a termination by the Company of the Executive other than for Cause, in addition to Final Compensation which shall be paid within seventy-five (75) days of such termination, (A) the Company shall pay the Executive Base Salary continuation for a period of twelve (12) months at the rate in effect on the date of termination, (B) the Company shall pay the Executive the full amount of his annual STIP Bonus in cash, in an amount to be determined following the year in which the STIP Bonus would have been earned but for the termination and will do so at the time and in accordance with the terms set forth in the STIP, (C) any granted but unvested LTIP grant shall vest in accordance with Section 5(d)(vi) hereof, and (D) if the Executive elects to continue his participation in the Company’s health and dental insurance plans under COBRA, the Company shall continue to pay the monthly premium cost of the Executive’s (and the Executive’s “qualified beneficiaries” within the meaning of Section 4980B(g)(1)(A) of the Code) participation in the Company’s group medical and dental plans until the conclusion of a period of twelve (12) months following the date of termination, provided that the Executive is entitled to continue such participation under applicable law and plan terms.

(iv) Any obligation of the Company to the Executive hereunder is conditioned, however, upon the Executive signing and returning to the Company a timely and effective release of claims in the form provided by the Company substantially in the form of Exhibit A attached hereto (the “Release of Claims”); provided, however, that such Release of Claims shall not release any rights of the Executive with respect to earned but unpaid Base Salary, bonuses, and benefits in accordance with the terms of Section 4 hereof, any rights to insurance or indemnification pursuant to the Company’s By-laws or applicable law, or any rights arising after the date of such Release of Claims. Post-employment restrictions will be consistent with Restricted Activities as set forth in Section 9 of this Agreement. The Release of Claims required for separation benefits under Section 5(d), Section 5(e), Section 5(g) or Section 5(h) hereof creates legally binding obligations on the part of the Executive, and the Company and its Affiliates therefore advise the Executive to seek the advice of an attorney before signing it. Except as otherwise expressly provided in this Section 5(d), payments to which the Executive is entitled hereunder shall be payable in accordance with the normal payroll practices of the Company, and will be made or commenced at the Company’s next regular payroll period which is at least five business days following the later of the effective date of the Release of Claims or the date the Release of Claims, signed by the Executive, is received by the Company, but the first payment shall be retroactive to the next business day following the date of termination. The Company agrees to provide the Executive with the form of release within 30 days of the termination of the Executive's employment, and the Executive agrees to execute and return the release to the Company within 45 days from the date the Company provides the final form of the Release of Claims.

(v) In connection with any termination pursuant to this Section 5(d), the Executive shall have the right to exercise any vested stock options or receive other equity rights for twenty-four (24) months after the Executive's termination date.

(vi) As of the termination of Executive's employment, all of the Executive's stock options, restricted stock or other equity rights including LTIP that are not vested or exercisable shall continue to vest and become exercisable as previously scheduled for a period of two years following the date of termination (the "First Two Year Period"). Stock options which become exercisable in the First Two-Year Period shall remain exercisable for two years following such vesting. At the end of the First Two-Year Period, any remaining unvested stock options, restricted stock or other equity rights shall vest and, in the case of stock options, shall be exercisable for two years following such vesting. All stock options which are vested on the date of termination shall remain exercisable for a two-year period following such date.

(e) By the Executive for Good Reason. The Executive may terminate his employment hereunder for Good Reason within nine (9) months of the events described in clauses (i) through (vi) below, provided that he gives the Company notice of the occurrence of the event or condition constituting Good Reason (the "Good Reason Condition") within 90 days of the initial existence or occurrence of the Good Reason Condition, and further provided that the Company does not cure such event or condition within thirty (30) days of such notice. The occurrence of any of the following without the Executive's consent shall constitute Good Reason for termination by the Executive:

(i) Removal of the Executive from the position of President and Chief Executive Officer of the Company (or a successor corporation);

(ii) A material breach by the Company of its obligations under Section 3(a)(i) above;

(iii) Material diminution in the nature or scope of the Executive's responsibilities, duties or authority;

(iv) The Executive is no longer the President and Chief Executive Officer of a publicly-traded company;

(v) Material failure of the Company to provide the Executive the Base Salary, bonuses, and employee benefits in accordance with the terms of Section 4; or

(vi) Any other material breach of this Agreement by the Company.

The Executive may not terminate his employment for Good Reason pursuant to this Section 5(e) during the Transition Period (as defined in Section 5(g)). In the event of a termination by the Executive for Good Reason in accordance with this Section 5(e), the Executive will be entitled to the same pay and benefits, payable at the same time and in the same manner, as he would have been entitled to receive had the Executive been terminated by the Company other than for Cause in accordance with Section 5(d) above; provided that the Executive signs an effective Release of Claims.

(f) By the Executive Other than for Good Reason. The Executive may terminate the Executive's employment hereunder other than for Good Reason at any time upon sixty (60) days' notice to the Company, unless such termination would violate any obligation of the Executive to the Company under a separate severance agreement. In the event of termination by the Executive pursuant to this Section 5(f), the Board may elect to waive the period of notice, or any portion thereof, and, whether or not the Board so elects, the Company will pay the Executive his Base Salary during the entire notice period. In addition, the Company may, in the sole discretion of the Board, but shall not be required to, pay the Executive a pro-rated bonus through the last date of such notice period. The Company shall have no further obligation to the Executive, other than for any Final Compensation due to him which shall be paid within ninety (90) days of any termination under this Section 5(f). All options to purchase shares of stock that were not exercisable on the date of termination will be forfeited and will terminate immediately upon the date of termination; provided, however, that the Executive shall be entitled to exercise any vested options and to receive other equity rights that are vested as of the date of his in accordance with the terms of the applicable equity plans and any related agreements, as modified herein.

(g) Retirement. The Executive will retire from his position as President and Chief Executive Officer and from all other positions he then holds as an officer of the Company on the date (the "Retirement Date") which is the earlier of (i) December 31, 2013 and (ii) 90 days following the commencement of employment of a new Chief Executive Officer of the Company. During such 90-day period (the "Transition Period"), the Executive will be available to assist the new CEO. It is the intention of the Board that the Executive continue to serve as a member of the Board until the expiration of his current term on the Board, provided that he is not associated with a competitor of the Company, all in accordance with the Company's Principles of Corporate Governance. Within seventy-five (75) days of his Retirement Date, the Company will pay the Executive the Final Compensation. Upon his Retirement Date, provided that the Executive signs and returns to the Company or its successor a timely and effective Release of Claims, all of the Executive's stock options, restricted stock or other equity rights including LTIP that are not vested or exercisable shall continue to vest and become exercisable as previously scheduled for a period of two years following the Retirement Date. Stock options which become exercisable in the two-year period following the Retirement Date shall remain exercisable for two years following such vesting. At the end of the first two-year period, any remaining unvested stock options, restricted stock or other equity rights shall vest and stock options shall be exercisable for two years following such vesting. All stock options which are vested on the Retirement Date shall remain exercisable for a two-year period following such Retirement Date. The Company shall pay the Executive the full amount of his annual STIP Bonus in cash, in an amount to be determined following the year in which the STIP Bonus would have been earned but for his Retirement, and will do so at the time and in accordance with the terms set forth in the STIP.

(h) Upon a Change of Control .

(i) Upon a Change of Control (as defined herein in Section 5(g)(vi)), the Company shall pay the Executive for all of his stock or other equity rights in the Company in the same manner (net of exercise price in the case of options) and within the same time period as other shareholders of the Company in connection with the Change of Control. Except as otherwise expressly provided in this paragraph, the terms and conditions of the Executive's stock options, restricted stock, and other equity rights granted to the Executive shall remain unchanged and shall be governed by the terms of the applicable Incentive Compensation Plan, Stock Option Agreement, shareholder agreement, and any other applicable equity-related agreement, together with such other restrictions and/or provisions generally applicable to shares purchased by Company employees, as each of the foregoing may be amended from time to time by the Company.

(ii) If prior to (but no more than nine (9) months prior to) and in connection with an anticipated Change of Control, the Company terminates the Executive's employment other than for Cause, or the Executive terminates his employment for Good Reason, then, in addition to Final Compensation that the Company shall pay the Executive within ninety (90) days of any such termination, in lieu of any other payments to or on behalf of the Executive under Section 5(d) or 5(e) hereof, and provided that the Executive signs and returns to the Company a timely and effective Release of Claims (to be provided by the Company and returned by the Executive under the timing rules of Section 5(d)(iv) above), then: (A) the Company shall pay and provide to the Executive the benefits described in Section 5(d)(iii) in the same manner, in the same amount and at the same times as would have been the case had Section 5(d) or Section 5(e), as the case may be applied, subject to the remaining provisions of this Section 5(g)(ii), and (B), if the Change of Control occurs within the nine (9)-month period following such termination, the Company and/or its successor shall pay and provide the following: (I) within thirty (30) days following such Change of Control, a lump sum payment in the gross amount of the excess of (aa) twenty-four (24) months of Base Salary at the rate in effect on the date of termination, over (bb) the aggregate gross payments made and to be made by the Company and/or its successor under Section 5(d)(iii)(A); (II) if the Executive had elected to continue participation in the Company's health and dental insurance plans under COBRA, a continuation of payment of monthly premium costs of the Executive's (and his qualified beneficiaries within the meaning of Section 4980B(g)(1)(A) of the Code) participation in such plans until the conclusion of a period of twenty-four (24) months following the date of termination, provided that the Executive is entitled to continue such participation under applicable law and plan terms; and (III) the Company shall cause all stock options, restricted stock, or other equity that had been granted to the Executive and that were not yet exercisable on the date of termination to become immediately exercisable (the "Accelerated Equity").

(iii) If the Company or its successor terminates the Executive's employment other than for Cause, or the Executive terminates his employment for Good Reason, in either case within the twelve (12)-month period commencing at a Change of Control, then, in addition to Final Compensation that the Company or its successor shall pay to the Executive within ninety (90) days of such termination, in lieu of any other payments to or on behalf of the Executive under Section 5(d) or Section 5(e) hereof, and provided that the Executive signs and returns to the Company or its successor a timely and effective Release of Claims (to be provided by the Company or its successor and returned by the Executive under the timing rules of Section 5(d)(iv) above), then: (AA) the Company or its successor shall pay and provide to the Executive a lump sum payment in the gross amount of twenty-four (24) months of Base Salary at the rate in effect on the date of termination; (BB) if the Executive elects to continue participation in the Company's health and dental insurance plans under COBRA, the Company or its successor shall pay the monthly premium cost of the Executive's (and his qualified beneficiaries within the meaning of Section 4980B(g)(1)(A) of the Code) participation in such plans until the conclusion of a period of twenty-four (24) months following the date of termination, provided that the Executive is entitled to continue such participation under applicable law and plan terms; and (CC) the Company shall cause all stock options, restricted stock, or other equity that had been granted to the Executive and that were not yet exercisable on the date of termination to become immediately exercisable (the aforementioned "Accelerated Equity"). The Accelerated Equity will remain exercisable until that date which is twenty-four (24) months from the date of termination, after which any Accelerated Equity not exercised shall be forfeited and shall terminate. Except as otherwise expressly provided in this paragraph, the terms and conditions of the Accelerated Equity shall remain unchanged and shall be governed by the terms of the applicable Incentive Compensation Plan, Stock Option Agreement, shareholder agreement, and any other applicable equity-related agreement, together with such other restrictions and/or provisions generally applicable to shares purchased by Company employees, as each of the foregoing may be amended from time to time by the Company.

(iv) Reserved.

(v) Reserved.

(vi) A Change of Control shall be deemed to have taken place upon the occurrence of a "change in control event" as defined in Treas. Regs. § 1.409A-3(i)(5); *provided*, for the avoidance of doubt, that in applying Treas. Regs. § 1.409A-3(i)(5)(vii) (pertaining to certain asset sales), the relevant minimum percentage threshold shall be 50%.

(i) Limitation on Severance Benefits. For the avoidance of doubt, under no circumstances shall the Executive be entitled to benefits under more than one subsection of this Section 5, nor shall the Executive be entitled to severance pay or benefits under any severance agreement or severance plan other than the benefits expressly set forth in this Agreement.

j) No Mitigation; No Offset. The Executive shall have no duty to seek new employment or other duty to mitigate following a termination of employment, and no compensation or benefit described in this Section 5 shall be subject to reduction or offset on account of any subsequent compensation.

(k) Timing of Payments. Notwithstanding anything to the contrary provided for herein, if, at the time of the Executive's separation from service, the Executive is a "specified employee," as hereinafter defined, any and all amounts payable under this Section 5 in connection with such separation from service that constitute deferral of compensation subject to Section 409A, as determined by the Company in its sole discretion, and that would (but for this sentence) be payable within six months following such separation from service, shall instead be paid on the earlier of the date that follows the date of such separation from service by six (6) months or the date of the Executive's death. For purposes of the preceding sentence, "separation from service" shall be determined in a manner consistent with subsection (a)(2)(A)(i) of Section 409A, and the term "specified employee" shall mean an individual determined by the Company to be a specified employee as defined in subsection (a)(2)(B)(i) of Section 409A.

(l) Post-Agreement Employment. In the event the Executive remains in the employ of the Company or any of its Affiliates following termination of this Agreement, by the expiration of the term or otherwise, then such employment shall be at-will.

(m) In the event that the Executive is prevented from selling Company stock during his entire post termination exercise period due to his compliance with the Company's Insider Trading Policy or window policy in effect on the date of his termination of employment, regardless of the type of termination, the Executive will be granted an additional period of 10 business days to sell his Company stock commencing on the first day such activity is permitted by the Insider Trading Policy or window policy.

6. Effect of Termination. The provisions of this Section 6 shall apply to any termination, whether due to the expiration of the Term, pursuant to Section 5, or otherwise.

(a) Upon request of the Company, the Executive shall promptly give the Company notice of all facts reasonably necessary for the Company to determine the nature, amount and duration of its obligations in connection with any termination pursuant to Section 5 hereof.

(b) Except for any right of the Executive to continue medical and dental plan participation in accordance with the terms of this Agreement and applicable law, benefits shall terminate pursuant to the terms of the applicable benefit plans based on the date of termination of the Executive's employment, without regard to any continuation of Base Salary or other payment to the Executive following such date of termination.

(c) Provisions of this Agreement shall survive any termination if so provided herein or if necessary or desirable to accomplish the purposes of other surviving provisions, including without limitation the obligations of the Executive under Sections 7, 8, and 9 hereof. The obligation of the Company to make payments to or on behalf of the Executive under Section 5(d), 5(e), or 5(g) hereof is expressly conditioned upon the Executive's continued full performance of his obligations under Sections 7, 8, and 9 hereof.

7. Confidential Information.

(a) The Executive acknowledges and agrees that the Confidentiality and Non- Solicitation Agreement between Green Mountain Coffee Roasters, Inc. and Larry Blanford, Board Candidate dated March 15, 2007 (hereinafter the "Confidentiality and Non-Solicitation

Agreement") shall remain in full force and effect in accordance with its terms.

(b) In addition to and without waiving the foregoing, the Executive further acknowledges that the Company and its Affiliates continually develop Confidential Information, that the Executive may develop Confidential Information for the Company or its Affiliates, and that the Executive may learn of Confidential Information during the course of employment. The Executive will comply with the policies and procedures of the Company and its Affiliates for protecting Confidential Information, and shall not disclose to any Person or use, other than as required by applicable law or for the proper performance of his duties and responsibilities to the Company and its Affiliates, any Confidential Information obtained by the Executive incident to his employment or other association with the Company or any of its Affiliates. The Executive understands that this restriction shall continue to apply after his employment terminates, regardless of the reason for such termination. The confidentiality obligation under this Section 7 shall not apply to information that is generally known or readily available to the public at the time of disclosure or becomes generally known through no wrongful act on the part of the Executive or any other Person having an obligation of confidentiality to the Company or any of its Affiliates.

(c) All documents, records, tapes and other media of every kind and description relating to the business, present or otherwise, of the Company or its Affiliates and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by the Executive, shall be the sole and exclusive property of the Company and its Affiliates. The Executive shall safeguard all Documents and shall surrender to the Company at the time his employment terminates, or at such earlier time or times as the Board or its designee may specify, all Documents then in the Executive's possession or control.

8. Assignment of Rights to Inventions. The Executive shall promptly and fully disclose all Inventions, as defined below, to the Company. The Executive hereby assigns and agrees to assign to the Company (or as otherwise directed by the Company) the Executive's full right, title and interest in and to all Intellectual Property. The Executive agrees to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights, and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Inventions. The Executive will not charge the Company for time spent in complying with these obligations. All copyrightable works that the Executive creates shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

9. Restricted Activities. The Executive agrees that some restrictions on his activities during and after his employment are necessary to protect the good will, Confidential Information, and other legitimate business interests of the Company and its Affiliates:

(a) While the Executive is employed by the Company and for eighteen (18) months after his employment terminates (together, the "Restricted Period"), the Executive shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co venturer or otherwise, compete with the Business anywhere where the Business is conducted, or undertake any planning for any business competitive with the Business. Specifically, but without limiting the foregoing, the Executive agrees not to engage in any manner in any activity that is directly or indirectly competitive with the Business as conducted or under consideration at any time during the Executive's employment. Restricted activity also includes, without limitation, accepting employment or a consulting position with, or otherwise providing services to, any Person who is or is planning to become a competitor of the Business where such employment, consulting or services relate to the Business.

(b) The Executive agrees that, during his employment with the Company, he will not undertake any outside activity, whether or not competitive with the business of the Company or its Affiliates, that could reasonably give rise to a conflict of interest or otherwise interfere with his duties and obligations to the Company or any of its Affiliates.

(c) The Executive agrees that, during the Restricted Period, the Executive will not directly or indirectly (a) solicit or encourage any customer of the Company or any of its Affiliates to terminate or diminish its relationship with them; or (b) seek to persuade any such customer or prospective customer of the Company or any of its Affiliates to conduct with anyone else any business or activity which such customer or prospective customer conducts or could conduct with the Company or any of its Affiliates; provided that these restrictions shall apply (y) only with respect to those Persons who are or have been a customer of the Company or any of its Affiliates at any time within the immediately preceding one (1) year period or whose business has been solicited on behalf of the Company or any of the Affiliates by any of their officers, employees or agents within said one (1) year period, other than by form letter, blanket mailing or published advertisement, and (z) only if the Executive has performed work for such Person during his employment with the Company or one of its Affiliates or been introduced to, or otherwise had contact with, such Person as a result of his employment or other associations with the Company or one of its Affiliates or has had access to Confidential Information which would assist in the Executive's solicitation of such Person.

(d) The Executive agrees that, during the Restricted Period, the Executive will not, and will not assist any other Person to, (a) hire or solicit for hiring any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment, or (b) solicit or encourage any independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them. For the purposes of this Agreement, an "employee" or "independent contractor" of the Company or any of its Affiliates is any person who was such at any time within the preceding one (1) year.

(e) Certification Requirement. During the Restricted Period, the Executive shall provide notice to the Company on a quarterly basis confirming that, to the best of his knowledge or belief, he is in full compliance with his obligations under Section 9.

10. Enforcement of Covenants. The Executive acknowledges that he has carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon him pursuant to Sections 7, 8, and 9 hereof. The Executive agrees without reservation that each of the restraints contained herein is necessary for the reasonable and proper protection of the good will, Confidential Information and other legitimate interests of the Company and its Affiliates; that each and every one of those restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the

aggregate, will not prevent him from obtaining other suitable employment during the period in which the Executive is bound by these restraints. The Executive further agrees that he will never assert, or permit to be asserted on his behalf, in any forum, any position contrary to the foregoing. The Executive further acknowledges that, were he to breach any of the covenants contained in Sections 7, 8, or 9 hereof, the damage to the Company would be irreparable. The Executive therefore agrees that the Company, in addition to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by the Executive of any of said covenants, without having to post bond, together with an award of the attorney's fees incurred in enforcing its rights hereunder; provided, however, that in any proceeding relating to the enforcement of this Agreement by either party, the non-prevailing party shall pay the prevailing party's attorneys' fees, costs and expenses. The parties further agree that, in the event that any provision of Section 7, 8, or 9 hereof shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

11. Conflicting Agreements. The Executive hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which the Executive is a party or is bound, and that the Executive is not now subject to any covenants against competition or similar covenants or any court order or other legal obligation that would affect the performance of his obligations hereunder. The Executive will not disclose to or use on behalf of the Company any proprietary information of a third party without such party's consent.

12. Definitions. Words or phrases which are initially capitalized or are within quotation marks shall have the meanings provided in this Section and as provided elsewhere herein. For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company, where control may be by management authority, contract or equity interest.

(b) "Business" means the business of providing hot or cold beverages or related appliances engaged in by the Company and any new industry practices or areas that the Company starts planning or enters during the Executive's employment with the Company.

(c) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally known by those with whom the Company or any of its Affiliates competes or does business, or with whom the Company or any of its Affiliates plans to compete or do business. Confidential Information includes without limitation such information relating to (i) the development, research, testing, manufacturing, marketing and financial activities of the Company and its Affiliates, (ii) the Products, (iii) the costs, sources of supply, financial performance and strategic plans of the Company and its Affiliates, (iv) the identity and special needs of the customers of the Company and its Affiliates and (v) the people and organizations with whom the Company and its Affiliates have business relationships and the nature and substance of those relationships. Confidential Information also includes any information that the Company or any of its Affiliates has received, or may receive hereafter, belonging to customers or others with any understanding, express or implied, that the information would not be disclosed.

(d) "Inventions" means any and all inventions, formulas, discoveries, developments, designs, innovations, improvements, or processes (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by the Executive (whether alone or with others, whether or not during normal business hours or on or off Company premises) during the Executive's employment that relate to either the Products or any prospective activity of the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates.

(e) "Person" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust and any other entity or organization, other than the Company or any of its Affiliates.

(f) "Products" mean all products planned, researched, developed, tested, manufactured, sold, licensed, leased or otherwise distributed or put into use by the Company or any of its Affiliates, together with all services provided or planned by the Company or any of its Affiliates, during the Executive's employment.

13. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

14. Assignment. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this Agreement without the consent of the Executive in the event that the Executive is transferred to a position with any of the Affiliates or in the event that the Company shall hereafter effect a reorganization, consolidate with, or merge into, any Person or transfer all or substantially all of its properties or assets to any Person. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs, and permitted assigns.

15. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

16. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of either party to require the performance of any term or obligation of this Agreement, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

17. Separation from Service. All references in this Agreement to termination of employment and correlative terms shall be construed to require a "separation from service" as that term is defined in Treas. Regs. § 1.409A-1(h).

18. Code Section 409A.

(a) It is intended that this Agreement will comply with Section 409A, to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. If an amendment of this Agreement is necessary in order for it to comply with Section 409A, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure to act pursuant to this Section 18 shall subject the Company to any claim, liability, or expense, and the Company shall not have any obligation to indemnify or otherwise protect the Executive from the obligation to pay any taxes, interest or penalties pursuant to Section 409A.

(b) Notwithstanding any provision to the contrary in this Agreement, if the Executive is deemed on the date of his "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment or benefit that is considered deferred compensation under Section 409A payable on account of a "separation from service" that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (after taking into account any applicable exceptions to such requirement), such payment or benefit shall be made or provided on the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of the Executive's "separation from service," or (ii) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 18 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of this Agreement to the contrary, for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the Executive's "termination of employment" (and corollary terms, including the end of the Employment Period) with the Company shall be construed to refer to the Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) with the Company.

(c) With respect to any reimbursement or in-kind benefit arrangements of the Company and its subsidiaries that constitute deferred compensation for purposes of Section 409A, except as otherwise permitted by Section 409A, the following conditions shall be applicable: (i) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the _amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year (except that the health and dental plans may impose a limit on the amount tha.t may be reimbursed or paid), (ii) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days after termination of employment"), the actual date of payment within the specified period shall be within the sole discretion of the Company. Whenever payments under this Agreement are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Section 409A.

19. Indemnification and Liability Insurance. The Executive and the Company entered into an indemnification agreement effective as of August 10, 2009, which agreement remains in full force and effect in accordance with its terms.

20. Notices. Any and all notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be effective when delivered in person, consigned to a reputable national courier service or deposited in the United States mail, postage prepaid, registered or certified, and addressed to the Executive at his last known address on the books of the Company, with a copy (which shall not constitute notice) to Katten Muchin Rosenman, LLP, 575 Madison Avenue, New York, NY 10022 Attn: Steven Eckhaus, Esq., steven.eckhaus@kattenlaw.com, or, in the case of the Company, at its principal place of business, attention of Fran Rathke, or to such other address as either party may specify by notice to the other actually received.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior communications, agreements and understandings, written or oral, with respect to the terms and conditions of the Executive's employment, including but not limited to the Employment Agreement effective as of May 3, 2007, which agreement shall be of no further force and effect from and after the Effective Date; excluding only the agreements or plans related to any stock options or restricted shares of the Company and the Confidentiality and Non-Solicitation Agreement, all of which agreements and plans shall remain in full force and effect in accordance with their terms.

22. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by an expressly authorized representative of the Company.

23. Headings. The headings and captions in this Agreement are for convenience only, and in no way define or describe the scope or content of any provision of this Agreement.

24. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

25. Governing Law. This is a Vermont contract and shall be construed and enforced under and be governed in all respects by the laws of the State of Vermont, without regard to the conflict of laws principles thereof.

IN WlTNESS WHEREOF, this Agreement has been executed by the Company, by its duly authorized representative, and by the Executive, as of the dale first above written.

THE EXECUTIVE:

/s/ Lawrence J. Blanford
Lawrence J. Blanford

GREEN MO UNTAIN COFFEE
ROASTERS, INC.

By: /s/ Robert P. Stiller
Robert P. Stiller
Chairman of the Board of Directors

EXHIBIT A

RELEASE OF CLAIMS

THIS RELEASE is executed by the undersigned (the "Executive") as of the date hereof.

WHEREAS, the Executive and Green Mountain Coffee Roasters, Inc. (the "Company") entered into an employment agreement dated as of February 1, 2012 (the "Employment Agreement");

WHEREAS, the Executive has certain entitlements pursuant to the Employment Agreement subject to the Executive's executing this Release and complying with its terms.

NOW, THEREFORE, in consideration of the payments set forth in Section 5 of the Employment Agreement and other good and valuable consideration, the Executive agrees as follows:

The Executive, on behalf of himself and his dependents, heirs, administrators, agents, executors, successors and assigns (the "Executive Releasors"), hereby releases and forever discharges the Company and its affiliated companies and their past and present parents, subsidiaries, successors and assigns and all of the aforesaid companies' past and present officers, directors, employees, trustees, shareholders, representatives and agents (the "Company Releasees"), from any and all claims, demands, obligations, liabilities and causes of action of any kind or description whatsoever, in law, equity or otherwise, whether known or unknown, that any Executive Releasor had, may have had or now has against the Company or any other Company Releasee as of the date of execution of this Release arising out of or relating to the Executive's employment relationship, or the termination of that relationship, with the Company (or any affiliate), including, but not limited to, any claim, demand, obligation, liability or cause of action arising under any Federal, state, or local employment law or ordinance (including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans With Disabilities Act of 1991, the Workers Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act (other than any claim for vested benefits), the Family and Medical Leave Act, and the Age Discrimination in Employment Act, as amended by the Older Workers' Benefit Protection Act ("ADEA''), tort, contract, or alleged violation of any other legal obligation (collectively "Released Executive Claims"). In addition, in consideration of the promises and covenants of the Company, the Executive, on behalf of himself and the other Executive Releasors, further agrees to waive any and all rights under the laws of any jurisdiction in the United States, or any other country, that limit a general release to any of the foregoing actions, causes of action, claims or charges that are known or suspected to exist in the Executive's favor as of the date of this Agreement and Release. Notwithstanding anything to the contrary this Release of Claims does not release, diminish, reduce, waive, forfeit or affect (1) the Executive's right to enforce this Release; (2) the Executive's right to be indemnified by the Company in accordance with the indemnification agreement between the Company and the Executive dated August 10, 2009 or as otherwise provided by applicable law or the Company's by-laws; (3) the Executive's right to equity awards that will have accrued or vested as of the date of termination or which will vest after the date of termination based on the terms of the Employment Agreement; or (4) any right the Executive may have to enforce Sections 4, 5, 6, 7 or 19 of the Employment Agreement.

The Executive understands that nothing in this Release shall be construed to prohibit him from filing a charge with, or participating in any investigation or proceeding conducted by, the Equal Employment Opportunity Commission, National Labor Relations Board, and/or any federal, state or local agency. Notwithstanding the foregoing, the Executive hereby waives any and all rights to recover monetary damages in any charge, complaint, or lawsuit filed by him or by anyone else on his behalf based on events occurring prior to the date of this Release.

The Executive agrees that he shall continue to be bound by, and will comply with, the provisions of Sections 7 and 9 of the Employment Agreement and the provisions of such sections, along with Section 5 (j) and 10 of the Employment Agreement, shall be incorporated fully into this Release.

The Executive acknowledges that he has been provided a period of at least 21 calendar days in which to consider and execute this Release. The Executive further acknowledges and understands that he has seven calendar days from the date on which he executes this Release to revoke his acceptance by delivering to the Company written notification of his intention to revoke this Release in accordance with Section 20 of the Employment Agreement. This Release becomes effective when signed unless revoked in writing and in accordance with this seven-day provision. To the extent that the Executive has not otherwise done so, the Executive is advised to consult with an attorney prior to executing this Release.

This Release shall be governed by and construed and interpreted in accordance with the laws of the State of Vermont without reference to principles of conflicts of law. Capitalized terms, unless defined herein, shall have the meaning ascribed to such terms in the Employment Agreement.

IN WITNESS WHEREOF, the Executive has executed this Release as of the date hereof.

/s/ Lawrence J. Blanford
Lawrence J. Blanford

Date: February 1, 2012

GMCR

33 Coffee Lane
Waterbury, VT 05676

(800) 545-2326
www.gmcr.com
NASDAQ: GMCR

October 15, 2012

Mr. Gérard Geoffrion
1 McGill, Apt 803
Montreal, Quebec H2Y 4A3

Dear Gérard,

We are pleased that you have agreed to take on the position of President, International Business Development with Green Mountain Coffee Roasters, Inc (" **GMCR** " or the " **Company** "). The purpose of this letter is to set forth the terms of your continued employment with GMCR.

There is no planned change to your current compensation:

Your annual salary is $390,000 CAD (less applicable taxes and withholdings).

You are eligible to participate in the GMCR Senior Executive Compensation Short-Term Incentive Plan (" **STIP** "). Your opportunity at target for Fiscal Year 2012 is 60% of your base salary. The program's annual performance metrics are based on GMCR's overall financial results.

Additionally, you are eligible to participate in the GMCR Long-Term Incentive Plan (" **LTIP** ") (which is part of the Company's 2006 Incentive Plan). Your opportunity at target for Fiscal Year 2012 is equal to 120% of your base salary. We anticipate that your next LTI award will be recommended to be made in March 2013.

Your annual base, annual bonus and long term incentives will be reviewed and established annually by the CEO and Board, with the next review in December 2012.

You are a participant in GMCR's 2008 Change-In-Control Severance Benefit Plan (the " **CIC Plan** "). Severance under the CIC Plan and ordinary severance will not be paid in duplicate.

Your current vacation allowance will be honored at six weeks a year.

You are eligible for benefits provided to other salaried employees of GMCR Canada.

If your employment is terminated (i) by the Company other than for gross misconduct, you shall receive (a) twelve (12) months of base salary continuation as severance; (b) you will be eligible for continuation of company health care benefits up to age 70, at a company contribution or cost not to exceed 5,000 CAD/year — provided such coverage is permissible under Canadian law and company plans at the time (c) a pro-rata portion of the bonus you would have earned under the STIP, if any, for the fiscal year in which termination occurs calculated by multiplying the bonus you would have received had your employment continued until the end of such fiscal year by a fraction, the numerator of which is the number of calendar days from the first day of the fiscal year (or the first day of the applicable portion of such year) through the date of termination and the denominator of which is the number of calendar days in the fiscal year (or applicable portion of such year), which shall be paid at the time bonuses for the fiscal year in which the termination occurs are paid to other STIP participants generally, provided that any payment under this clause (c) shall be subject to and payable in accordance with the terms set forth in the STIP. If you are eligible to receive payments under Section 5 of the CIC Plan, the terms of the Plan will apply, and the provision of (a) and (c) in the first sentence of this paragraph shall not apply.

To receive severance benefits, you will be required to sign and return to us a general release of claims in a reasonable and customary form we will provide within five business days following such termination of employment (the " **release** "). The Company will provide you with a period to sign the release that is at least as long as the time period required by applicable law to render it fully effective, but that period shall not exceed forty-five (45) days. You must deliver the release to us within two business days after you sign it. Your salary continuation will begin on the next regular pay date that is up to seven days later than the expiration of any period of revocation that we must provide you to render the release fully effective, provided that you do not revoke it, and provided that your salary continuation shall begin no later than fourteen business days following your delivery of the release to the Company. The first payment will be retroactive to the date of termination.

To the extent applicable, it is intended that this agreement comply with the provisions of Section 409A of the Internal Revenue Code. This agreement will be administered and interpreted in a manner consistent with this intent, any provision that would cause this agreement to fail to satisfy Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A).

If a termination of your employment does not result in a "separation from service" within the meaning of Section 409A, then for purposes of determining the timing of the payment, termination shall not be considered to occur until you have incurred such a separation for service. This paragraph shall not affect the determination of your entitlement to any payment or benefit, but only the timing thereof.

To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this agreement during the six-month period immediately following termination of employment shall instead be paid on the first business day after the date that is six months following your termination of employment (or upon death, if earlier).

For purposes of this agreement, each amount to be paid or benefit to be provided to you pursuant to this agreement shall be construed as a separate identified payment for purposes of Section 409A.

With respect to expenses for which you are eligible to be reimbursed, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

You already signed the GMCR Confidentiality and Inventions Assignment agreement (attached), which remains in force.

These arrangements supersede any prior employment agreement terms.

It is my understanding that we have already provided to you copies of the following:
1. The 2007 Senior Executive Compensation Short Term Incentive Plan;
2. The 2006 Incentive plan; and
3. The GMCR 2008 Change-In-Control severance Benefit Plan.

If you have any questions about this letter please contact me at (802) 488-2490. I have thoroughly enjoyed working with you and your team so far and look forward to continuing that relationship.

Sincerely,

/s/ Linda Kazanova

Linda Kazanova
Vice-President, Chief Human Resource Officer

Exhibit 10.41

GMCR

33 Coffee Lane
Waterbury, VT 05676

(800) 545-2326
www.gmcr.com
NASDAQ: GMCR

October 15, 2012

Mr. Sylvain Toutant
1177 Place Henri-Gauthier
Montreal, Quebec H2M 2S1

Dear Sylvain,

We are pleased that you have agreed to take on the position of President, GMCR Canada Holdings Inc. and the Canadian Business Unit with Green Mountain Coffee Roasters, Inc. (" **GMCR** " or the " **Company** "). The purpose of this letter is to set forth the terms of your new employment with GMCR.

Your annual salary will be $375,000 CAD (less applicable taxes and withholdings).

You are eligible to participate in the GMCR Senior Executive Compensation Short-Term Incentive Plan (" **STIP** "). Your opportunity at target for Fiscal Year 2013 will be 60% of your base salary. The program's annual performance metrics are based on GMCR's overall financial results.

Additionally, you are eligible to participate in the GMCR Long-Term Incentive Plan (" **LTIP** ") (which is part of the Company's 2006 Incentive Plan). Your opportunity at target for Fiscal Year 2013 is equal to 100% of your base salary. Generally, our stock options and Restricted Stock Units vest at a rate of 25% per year over four years and grants are typically made in March of each year. We anticipate that your next stock option grant will be recommended to be made in March 2013.

Your annual base, annual bonus and long term incentives will be reviewed and established annually by the CEO and Board.

You will be granted a promotional LTI award of 80% options/ 20% RSUs valued at $187,500 USD upon approval of your appointment by the Board. These options and RSUs will vest over 4 years at 25% a year.

You are a participant in GMCR's 2008 Change-In-Control Severance Benefit Plan (the " **CIC Plan** "). Severance under the CIC Plan and ordinary severance will not be paid in duplicate.

Your current vacation allowance will be honored at five weeks a year.

You will be eligible for benefits provided to other salaried employees of GMCR Canada.

If your employment is terminated (i) by the Company other than for gross misconduct, you shall receive (a) twelve (12) months of base salary continuation as severance; (b) a pro-rata portion of the bonus you would have earned under the STIP, if any, for the fiscal year in which termination occurs calculated by multiplying the bonus you would have received had your employment continued until the end of such fiscal year by a fraction, the numerator of which is the number of calendar days from the first day of the fiscal year (or the first day of the applicable portion of such year) through the date of termination and the denominator of which is the number of calendar days in the fiscal year (or applicable portion of such year), which shall be paid at the time bonuses for the fiscal year in which the termination occurs are paid to other STIP participants generally, provided that any payment under this clause (c) shall be subject to and payable in accordance with the terms set forth in the STIP. If you are eligible to receive payments under Section 5 of the CIC Plan, the terms of the Plan will apply, and the provision of (a) and (c) in the first sentence of this paragraph shall not apply.

To receive severance benefits, you will be required to sign and return to us a general release of claims in a reasonable and customary form we will provide within five business days following such termination of employment (the " **release** "). The Company will provide you with a period to sign the release that is at least as long as the time period required by applicable law to render it fully effective, but that period shall not exceed forty-five (45) days. You must deliver the release to us within two business days after you sign it. Your salary continuation will begin on the next regular pay date that is up to seven days later than the expiration of any period of revocation that we must provide you to render the release fully effective, provided that you do not revoke it, and provided that your salary continuation shall begin no later than fourteen business days following your delivery of the release to the Company. The first payment will be retroactive to the date of termination.

To the extent applicable, it is intended that this agreement comply with the provisions of section 409A of the Internal Revenue Code. This agreement will be administered and interpreted in a manner consistent with this intent, any provision that would cause this agreement to fail to satisfy Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A).

If a termination of your employment does not result in a "separation from service" within the meaning of Section 409A, then for purposes of determining the timing of the payment, termination shall not be considered to occur until you have incurred such a separation for service. This paragraph shall not affect the determination of your entitlement to any payment or benefit, but only the timing thereof.

To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this agreement during the six-month period immediately following termination of employment shall instead be paid on the first business day after the date that is six months following your termination of employment (or upon death, if earlier).

For purposes of this agreement, each amount to be paid or benefit to be provided to you pursuant to this agreement shall be construed as a separate identified payment for purposes of Section 409A.

With respect to expenses for which you are eligible to be reimbursed, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

To finalize these arrangements, you must additional sign the GMCR Confidentiality and Invention Assignment agreement (attached).

It is my understanding that we have already provided to you copies of the following:

1. The 2007 Senior Executive Compensation Short Term Incentive Plan;
2. The 2006 Incentive plan; and
3. The GMCR 2008 Change-In-Control Severance Benefit Plan.

If you have any questions about this letter please contact me at (802) 488-2490. I have thoroughly enjoyed working with you and your team so far and look forward to continuing that relationship.

Sincerely,

/s/ Linda Kazanova

Linda Kazanova
Vice-President, Chief Human Resource Officer

Exhibit 21

Subsidiaries of the Registrant
As of November 27, 2012

Subsidiary	State or Jurisdiction of Incorporation or Organization	Name Under Which Does Business (if different)
Keurig, Incorporated	Delaware	
GMCR Canada Holding Inc.	New Brunswick, Canada	

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-29641, No. 333-65321, No. 333-78937, No. 333-70116, No.333-123255, No. 333-135237, No. 333-141567, No. 333-150929, No. 333-163544, and No. 333-175896) and on Form S-3 (No. 333-160974) of Green Mountain Coffee Roasters, Inc. of our report dated November 27, 2012 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, MA
November 27, 2012

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lawrence J. Blanford, Chief Executive Officer, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2012

/s/ Lawrence J. Blanford

Lawrence J. Blanford
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frances G. Rathke, Chief Financial Officer, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2012

/s/ Frances G. Rathke

Frances G. Rathke
Chief Financial Officer

Exhibit 32.1

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee Roasters, Inc. (the "Company") on Form 10-K for the period ending September 29, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence J. Blanford, as 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, to the best of my knowledge:

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

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

Date: November 27, 2012

/s/ Lawrence J. Blanford
Lawrence J. Blanford*
President and Chief Executive Officer

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

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

Exhibit 32.2

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Green Mountain Coffee Roasters, Inc. (the “Company”) on Form 10-K for the period ending September 29, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frances G. Rathke, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

Date: November 27, 2012

/s/ Frances G. Rathke
Frances G. Rathke*
Chief Financial Officer

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

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