

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED OCTOBER 1, 2000
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____ .

COMMISSION FILE NUMBER 0- 20322

STARBUCKS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

WASHINGTON (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	91-1325671 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
2401 UTAH AVENUE SOUTH, SEATTLE, WASHINGTON (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	98134 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (206) 447- 1575
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, NO PAR VALUE PER SHARE

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 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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10- K or any amendment to this Form 10- K.

The aggregate market value of the voting stock held by non- affiliates of the Registrant, based upon the closing sale price of the Registrant's Common Stock on December 15, 2000, as reported on the National Market tier of The Nasdaq Stock Market, Inc. was \$7,704,027,788.

As of December 15, 2000, there were 188,187,571 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended October 1, 2000 have been incorporated by reference into Parts II and IV of this Annual Report on Form 10- K. Portions of the definitive Proxy Statement for the Registrant's Annual Meeting of Shareholders to be held on March 20, 2001 have been incorporated by reference into Part III of this Annual Report on Form 10- K.

**CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT
OF**

1995

Certain statements set forth in or incorporated by reference into this Annual Report on Form 10- K, including anticipated store and market openings, planned capital expenditures and trends in or expectations regarding the Company's operations,

constitute "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating , financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, coffee and other raw materials prices and availability, successful execution of internal performance and expansion plans, the impact of competition, the effect of legal proceedings and other risks detailed herein.

PART I

ITEM 1. BUSINESS

General. Starbucks Corporation and its subsidiaries (collectively "Starbucks" or the "Company") purchases and roasts high quality whole bean coffees and sells them, along with fresh, rich- brewed coffees, Italian- style espresso beverages, cold blended beverages, a variety of pastries and confections, coffee- related accessories and equipment, and a line of premium teas, primarily through its Company- operated retail stores. In addition to sales through its Company- operated retail stores, Starbucks sells coffee and tea products through other channels of distribution (collectively, "specialty operations"). Starbucks, through its joint venture partnerships, also produces and sells bottled Frappuccino(R) coffee drink and a line of premium ice creams. The Company's objective is to establish Starbucks as the most recognized and respected brand in the world. To achieve this goal, the Company plans to continue to rapidly expand its retail operations, grow its specialty operations and selectively pursue other opportunities to leverage the Starbucks brand through the introduction of new products and the development of new distribution channels.

Company- Operated Retail Stores. The Company's retail goal is to become the leading retailer and brand of coffee in each of its target markets by selling the finest quality coffee and related products and by providing superior customer service, thereby building a high degree of customer loyalty. Starbucks strategy for expanding its retail business is to increase its market share in existing markets and to open stores in new markets where the opportunity exists to become the leading specialty coffee retailer. In furtherance of this strategy, the Company opened 490 new stores during the fiscal year ended October 1, 2000 ("fiscal 2000"). At fiscal year end, Starbucks had 2,619 Company- operated stores in 34 states, the District of Columbia and five Canadian provinces (which comprise the Company- operated North American retail operations), as well as the United Kingdom, Thailand and Australia (which comprise the Company- operated international retail operations). Company- operated retail stores accounted for approximately 84% of net revenues during fiscal 2000. The Company intends to finance additional growth in the number of Company- operated retail stores with cash flow from operations.

Starbucks retail stores are typically clustered in high- traffic, high- visibility locations. Because the Company can vary the size and format of its stores, Starbucks stores are located in a variety of settings, including downtown and suburban retail centers, office buildings, supermarket foyers and university campuses. While the Company selectively locates stores in suburban malls, it focuses on stores that have convenient access for pedestrians and drivers.

All Starbucks stores offer a choice of regular and decaffeinated coffee beverages, including at least one "coffee of the day," a broad selection of Italian- style espresso beverages, cold blended beverages, a selection of teas and distinctively packaged, roasted whole bean coffees. Starbucks stores also offer a selection of fresh pastries and other food items, sodas, juices, and coffee- making equipment and accessories. Each Starbucks store varies its product mix depending upon the size of the store and its location. Larger stores carry a broad selection of the Company's whole bean coffees in various sizes and types of packaging, as well as an assortment of coffee and espresso- making equipment and accessories such as coffee grinders, coffee makers, espresso machines, coffee filters, storage containers, travel tumblers and mugs. Smaller Starbucks stores and kiosks typically sell a full line of coffee beverages, a more limited selection of whole bean coffees and a few

accessories such as travel tumblers and logo mugs. Approximately 15% of Starbucks stores carry a selection of "grab and go" sandwiches and salads. During fiscal 2000, the Company's retail sales mix by product type was approximately 73% handcrafted beverages, 14% food items, 8% whole bean coffees, and 5% coffee- making equipment and accessories.

Specialty Operations. Starbucks specialty operations strive to develop the Starbucks brand outside the Company- operated retail store environment through a number of channels. Starbucks strategy for expanding its specialty operations is to reach customers where they work, travel, shop and dine by establishing relationships with prominent third parties who share Starbucks values and commitment to quality. These relationships take various forms, including retail store licensing agreements, wholesale accounts, grocery channel licensing agreements and joint ventures. Starbucks specialty operations also include direct- to- consumer marketing channels. In certain licensing situations, the licensee is a joint venture in which Starbucks has an equity ownership interest. During fiscal 2000, specialty revenues (which include royalties and fees from licensees as well as product sales) accounted for approximately 16% of the Company's net revenues.

North American Retail Store Licensing. Although the Company does not generally relinquish operational control of its retail stores in North America, in situations in which a master concessionaire or another company controls or can provide improved access to desirable retail space, the Company may consider licensing its operations. As part of these arrangements, Starbucks receives license fees and royalties and sells coffee and related products for resale in the licensed locations. Employees working in the licensed locations must follow Starbucks detailed store- operating procedures and attend training classes similar to those given to Starbucks store managers and employees. As of October 1, 2000, the Company had 530 licensed stores in continental North America.

International Retail Store Licensing. Starbucks retail stores located outside of North America, the United Kingdom, Thailand and Australia are operated through a number of joint venture and licensing arrangements with prominent retailers. During fiscal 2000, the Company expanded its international presence by opening 184 new international licensed stores, including the first stores in Lebanon, the United Arab Emirates, Qatar, Hong Kong and Shanghai. At fiscal year end, the Company had 154 stores in Japan, 47 in Taiwan, 28 in China, 28 in Singapore, 27 in the Philippines, 20 in Hawaii, 15 in New Zealand, 14 in Malaysia, six in South Korea, five in the United Arab Emirates, four in Kuwait, three in Lebanon, and one in Qatar.

Wholesale Accounts. Starbucks sells whole bean and ground coffees to several types of wholesale accounts, including office coffee distributors and institutional foodservice management companies that service business, industry, education and healthcare accounts, and hotels, airlines and restaurants.

Grocery Channel Licensing. In fiscal 1998, Starbucks entered into a long- term licensing agreement with Kraft Foods, Inc. ("Kraft") to accelerate the growth of the Starbucks brand into the grocery channel in the United States. Pursuant to such agreement, Kraft manages all distribution, marketing, advertising and promotions for Starbucks whole bean and ground coffee in grocery, warehouse club and mass merchandise stores. By the end of fiscal 2000, the Company's whole bean and ground coffees were available throughout the United States in approximately 16,000 supermarkets.

Joint Ventures. The Company has two non- retail domestic 50- 50 joint ventures. The North American Coffee Partnership, a joint venture with the Pepsi- Cola Company, a division of PepsiCo, Inc., was formed in fiscal 1994 to develop and distribute ready- to- drink coffee- based products. By the end of fiscal 2000, the joint venture was distributing bottled Frappuccino coffee drink to approximately 250,000 supermarkets, convenience and drug stores and other locations throughout the United States and Canada. The Company formed a joint venture with Dreyer's Grand Ice Cream, Inc. in fiscal 1996 to develop and distribute Starbucks premium coffee ice creams. By the end of fiscal 2000, the joint venture was distributing a variety of ice cream and novelty products to over 21,000 supermarkets throughout the United States. (See Note 6 to the Company's consolidated financial statements, "Joint Ventures," incorporated by reference to the Company's Fiscal 2000 Annual Report to Shareholders in Item 8 of this Form 10- K.)

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Direct- to- Consumer Marketing. The Company makes fresh Starbucks coffee and coffee- related products conveniently available via mail order and on- line. Starbucks publishes and distributes a mail order catalog that offers its coffees, certain food items and select coffee- making equipment and accessories, and the Company maintains a web site at www.starbucks.com with an on- line store that allows customers to browse for and purchase coffee, gifts and other items via the Internet. Management believes that the Company's direct- to- consumer operations support its retail store expansion into new markets and reinforce brand recognition in existing markets.

Product Supply. Starbucks is committed to selling only the finest whole bean coffees and coffee beverages. To ensure compliance with its rigorous coffee standards, Starbucks controls its coffee purchasing, roasting and packaging, and the distribution of coffee to its retail stores. The Company purchases green coffee beans for its many blends and single origin coffees from coffee- producing regions around the world and custom roasts them to its exacting standards.

The supply and price of coffee are subject to significant volatility. Although most coffee trades in the commodity market, coffee of the quality sought by the Company tends to trade on a negotiated basis at a substantial premium above commodity coffee prices, depending upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, political and economic conditions. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence commodity prices of green coffee through agreements establishing export quotas or restricting coffee supplies worldwide.

The Company depends upon its relationship with outside trading companies and exporters for its supply of green coffee. To secure an adequate supply and to fix costs for future periods, the Company routinely enters into fixed- price purchase commitments for future deliveries of coffee. As of October 1, 2000, the Company had approximately \$84 million in fixed- price purchase commitments which, together with existing inventory, is expected to provide an adequate supply of green coffee for the majority of fiscal 2001. The Company believes, based on relationships established with its suppliers in the past, that the risk of non- delivery on such purchase commitments is remote. There can be no assurance that these activities will successfully protect the Company against the risks of higher coffee prices or that such activities will not

result in the Company having to pay substantially more for its coffee supply than it would have been required to pay absent such activities.

In addition to coffee, the Company also purchases significant amounts of dairy products to support the needs of its retail stores. Fluid milk requirements are purchased from local processors and distributors to ensure quality and reliable service. Dairy prices vary throughout the year as supply and demand fluctuate and are subject to additional changes due to government regulations. The Company obtains competitive prices through a combination of competitive bidding and negotiations with its suppliers.

The Company also purchases a broad range of paper and plastic products, such as paper cups, plastic cold cups, hot cup lids, napkins, straws, shopping bags and corrugated paper boxes from several companies to support the needs of its retail stores as well as its manufacturing and distribution operations. The cost of these materials are somewhat dependent upon commodity paper and plastic resin costs, but the Company believes it mitigates the effect of short- term raw material price increases through strategic relationships with key suppliers.

Products other than whole bean coffees and coffee beverages sold in Starbucks retail stores are obtained through a number of different channels. Specialty foods, such as fresh pastries and lunch items, are generally purchased from both regional and local sources based on quality and price. Coffee- making equipment, such as drip, vacuum and french press coffee makers, espresso machines and coffee grinders, are generally purchased directly from their manufacturers for resale. Coffee- related accessories, including items bearing the Company's logos and trademarks, are produced and distributed through contracts with a number of different vendors.

Competition. The Company's primary competitors for coffee beverage sales are restaurants, coffee shops, and street carts. In almost all markets in which the Company does business there are numerous

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competitors in the specialty coffee beverage business, and management expects this to continue. Although competition in the beverage market is currently fragmented, a major competitor with substantially greater financial, marketing and operating resources than the Company could enter this market at any time and compete directly against the Company. The Company's whole bean coffees compete directly against specialty coffees sold at retail through supermarkets, specialty retailers, and a growing number of specialty coffee stores. Both the Company's whole bean coffees and its coffee beverages compete indirectly against all other coffees on the market. The Company believes that its customers choose among retailers primarily on the basis of product quality, service and convenience, and, to a lesser extent, on price. Management believes that supermarkets are the most competitive distribution channel for specialty whole bean coffee, in part because supermarkets offer customers a variety of choices without having to make a separate trip to a specialty coffee store. A number of nationwide coffee manufacturers are distributing premium coffee products in supermarkets that may serve as substitutes for the Company's coffees. Regional specialty coffee companies also sell whole bean coffees in supermarkets.

In addition to the competition generated by supermarket sales of coffee, Starbucks competes for whole bean coffee sales with franchise operators and independent specialty coffee stores. In virtually every major metropolitan area where Starbucks operates and expects to expand, there are local or regional competitors with substantial market presence in the specialty coffee business. Starbucks specialty operations also face significant competition from established wholesale and mail order suppliers, some of whom have greater financial and marketing resources than the Company.

In addition, the Company faces intense competition from both restaurants and other specialty retailers for suitable sites for new stores and qualified personnel to operate both new and existing stores. There can be no assurance that Starbucks will be able to continue to secure adequate sites at acceptable rent levels or that the Company will be able to attract a sufficient number of qualified workers.

Patents, Trademarks, Copyrights and Domain Names. The Company owns and/or has applied to register numerous trademarks and service marks in the United States, Canada and in more than 125 additional countries throughout the world. Rights to the trademarks and service marks in the United States are generally held by Starbucks U.S. Brands Corporation, a wholly- owned subsidiary of the Company, and are used by the Company under license. Some of the Company's trademarks, including "Starbucks," the Starbucks logo and "Frappuccino," are of material importance to the Company. Trademarks are generally valid as long as they are in use and/or their registrations are properly maintained, and they have not been found to have become generic. Trademark registrations can generally be renewed indefinitely so long as the marks are in use.

The Company also owns numerous copyrights for its product packaging, promotional materials, in- store graphics and training materials, among other things. The Company also holds patents on certain products, systems and designs. In addition, the Company has registered and maintains numerous Internet domain names, including "Starbucks.com" and "Starbucks.net." While valuable, individual copyrights, patents and domain names currently held by the Company are not viewed as material to the Company's business.

Research and Development. The Company's research and development efforts are led by food scientists, engineers, chemists and culinarians in the Technical Support Services and Development department who are responsible for the technical development of food and beverage products and new equipment. Recent development efforts have resulted in successful flavor line extensions for latte beverages, Frappuccino blended beverages and new items for the Company's morning pastry and lunch lines. The department also introduced improvements in base ingredients to aid in the distribution of products to international markets and formulation changes to tea-based beverages. The Company spent approximately \$4.0 million during fiscal 2000 on technical research and development activities, in addition to customary product testing and product and process improvements in all areas of the Company's business.

Seasonality and Quarterly Results. The Company's business is subject to seasonal fluctuations. Significant portions of the Company's net revenues and profits are realized during the first quarter of the Company's fiscal year that includes the December holiday season. In addition, quarterly results are affected by the timing

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of the opening of new stores, and the Company's rapid growth may conceal the impact of other seasonal influences. Because of the seasonality of the Company's business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Employees. As of October 1, 2000, the Company employed approximately 47,000 individuals, approximately 43,000 in retail stores and regional offices and the remainder in the Company's administrative, specialty, real estate, roasting, and warehousing operations. At fiscal year end, employees at 12 of the Company's stores and a group of maintenance mechanics and technicians at one roasting plant were represented by unions. Starbucks has entered into a labor agreement governing such stores that extends until July 2001 and is currently in negotiations with the union representing the roasting plant employees. The Company believes that its current relations with its employees are good.

ITEM 2. PROPERTIES

Starbucks currently operates three roasting and distribution facilities - - one in the Seattle, Washington area, one in East Manchester Township, York County, Pennsylvania and a smaller facility in London, England. In the Seattle area, the Company owns a roasting plant and distribution facility of approximately 305,000 square feet and leases two warehouse facilities totaling approximately 200,000 square feet in Kent, Washington (the "Kent Plant"). The Company also owns a 365,000 square foot roasting and distribution facility that it previously had leased in York County, Pennsylvania (the "York Plant"). The Company has an option to purchase an additional parcel of land adjacent to the York Plant until August 2001. In connection with the purchase of the York Plant, the Company assumed loans totaling approximately \$7.7 million incurred in connection with its development. In addition, the Company leases a small roasting and storage facility in London, England that supports its operations in the United Kingdom. The lease for this facility expires in 2002 unless extended by the parties.

The Company leases approximately 510,000 square feet of a building located in Seattle, Washington for administrative offices and has options to lease approximately 40,000 additional square feet in such building. The Company also leases approximately 38,000 square feet in a building in Seattle, Washington pursuant to a lease extendable through June 2001 (the "Resource Center"). The Company owns 2.36 acres (102,800 square feet) of undeveloped land near its administrative offices and adjacent to the Resource Center, which is used for parking.

As of October 1, 2000, Starbucks operated a total of 2,619 retail stores. All Starbucks stores are located in leased premises. The Company also leases space in approximately 75 additional locations for regional, district and other administrative offices, training facilities and storage, not including certain seasonal retail storage locations.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings arising in the ordinary course of its business, but is not currently a party to any legal proceeding which the Company believes will have a material adverse effect on the financial position or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2000.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the section entitled "Shareholder Information" in the Company's Fiscal 2000 Annual Report to Shareholders.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated herein by reference to the section entitled "Selected Financial Data" in the Company's Fiscal 2000 Annual Report to Shareholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated herein by reference to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Fiscal 2000 Annual Report to Shareholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - - Financial Risk Management" in the Company's Fiscal 2000 Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements and the notes thereto in the Company's Fiscal 2000 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors of the Company and compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference to the sections entitled "Proposal 1 - - Election of Directors" and "Executive Compensation - - Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on March 20, 2001 (the "Proxy Statement"). The Company intends to file the Proxy Statement within 120 days after the end of its fiscal year.

The executive officers of the Company, each of whom serves a one- year term and until his or her successor is elected and qualified, are as follows:

NAME	AGE	POSITION	EXECUTIVE OFFICER SINCE
Howard Schultz.....	47	chairman of the Board of Directors and chief global strategist	1985
Orin C. Smith.....	58	director, president and chief executive officer	1990
Paul D. Davis.....	43	president, North America	1999
Peter Maslen.....	48	president, Starbucks Coffee International, Inc.	1999
Michael Casey.....	55	executive vice president, chief financial officer and chief administrative officer	1995
Eduardo R. (Ted) Garcia.....	53	executive vice president, Supply Chain and Coffee Operations	1995
Shelley B. Lanza.....	44	executive vice president, Human Resources, Law and Corporate Affairs and Corporate Social Responsibility, general counsel and secretary	1995
Deidra Wager.....	45	executive vice president, Retail	1993
Wanda Herndon.....	48	senior vice president, Worldwide Public Affairs	1996
Darren Huston.....	34	senior vice president, New Ventures	2000

HOWARD SCHULTZ is the founder of the Company and has been chairman of the board since its inception in 1985. Mr. Schultz served as chief executive officer from 1985 until June 2000, when he transitioned into the role of chief global strategist. From 1985 to June 1994, Mr. Schultz was also the Company's president. From September 1982 to December 1985, Mr. Schultz was the director of Retail Operations and Marketing for Starbucks Coffee Company, a predecessor to the Company; and from January 1986 to July 1987, he was the chairman of the board, chief executive officer and president of Il Giornale Coffee Company, a predecessor to the Company.

ORIN C. SMITH joined the Company in 1990 and has served as president and chief executive officer of the Company since June 2000. From June 1994 to June 2000, Mr. Smith served as the Company's president and chief operating officer. Prior to June 1994, Mr. Smith served as the Company's vice president and chief financial officer and later, as its executive vice president and chief financial officer.

PAUL D. DAVIS joined Starbucks in March 1999 as president of Consumer Products and was appointed president, Retail North America in November 1999. In January 2000, Mr. Davis was promoted to president, North American Operations and in November 2000 his title was changed to president, North America. Prior to joining Starbucks, Mr. Davis worked with Frito- Lay, a division of PepsiCo, Inc. for 14 years where he held several sales, marketing and general management positions. Most recently, he served as president of Frito- Lay's Canadian division. Prior to joining Frito- Lay, Mr. Davis held various positions with Procter & Gamble.

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PETER MASLEN joined Starbucks in August 1999 as president, Starbucks Coffee International, Inc. Prior to joining Starbucks, Mr. Maslen served in various executive positions with Mars Inc., PepsiCo, Inc. and most recently Tricon Global Restaurants from 1992 to 1999, including most recently serving as the Senior Vice President and General Manager of its Central Europe division.

MICHAEL CASEY joined Starbucks in August 1995 as senior vice president and chief financial officer and was promoted to executive vice president, chief financial officer and chief administrative officer in September 1997. Prior to joining Starbucks, Mr. Casey served as executive vice president and chief financial officer of Family Restaurants, Inc. from its inception in 1986. During his tenure there, he also served as a director from 1986 to 1993, and as president and chief executive officer of its El Torito Restaurants, Inc. subsidiary from 1988 to 1993.

EDUARDO R. (TED) GARCIA joined Starbucks in April 1995 as senior vice president, Supply Chain Operations and was promoted to executive vice president, Supply Chain and Coffee Operations in September 1997. From May 1993 to April 1995, Mr. Garcia was an executive for Gemini Consulting. From January 1990 until May 1993, he was the vice president of Operations Strategy for Grand Metropolitan PLC, Food Sector.

SHELLY B. LANZA joined Starbucks in June 1995 as senior vice president, Law and Corporate Affairs and general counsel and was promoted to executive vice president, Human Resources, Law and Corporate Affairs and Corporate Social Responsibility, general counsel and secretary in March 2000. From 1986 to 1995, Ms. Lanza served as vice president and general counsel of Honda of America Manufacturing, Inc. From 1982 to 1986, Ms. Lanza practiced law at the law firm of Vorys, Sater, Seymour and Pease in Columbus, Ohio.

DEIDRA WAGER joined Starbucks in 1992 and served as the Company's senior vice president, Retail Operations from August 1993 to September 1997 when she was promoted to executive vice president, Retail. In March 1999, Ms. Wager moved to Tokyo, Japan to serve as a consultant to Starbucks Coffee International, Inc. and work with Starbucks Coffee Japan Limited. Prior to joining Starbucks Ms. Wager held several operations with Taco Bell(R), Inc. from 1988 to 1992.

WANDA HERNDON joined Starbucks in July 1995 as vice president, Communications and Public Affairs and was promoted to senior vice president, Communications and Public Affairs (now known as Worldwide Public Affairs) in November 1996. From February 1990 to June 1995, Ms. Herndon held several communications management positions at DuPont Company. From November 1978 to February 1990, Ms. Herndon held several public affairs and marketing communications positions at the Dow Chemical Company.

DARREN HUSTON joined Starbucks in June 1998 as vice president, Retail Strategy and New Business and was promoted to senior vice president, New Ventures in March 2000. From 1994 to 1998, Mr. Huston worked at McKinsey & Company and was a leader in McKinsey's strategy and marketing practices.

There are no family relationships between any directors or executive officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the section entitled "Executive Compensation" in the Company's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the section entitled "Beneficial Ownership of Common Stock" in the Company's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the section entitled "Executive Compensation - - Certain Transactions" in the Company's Proxy Statement.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Annual Report on Form 10- K:

1. Financial Statements.

The following financial statements are incorporated by reference in

Part II, Item 8 of this Annual Report on Form 10- K:

Consolidated Balance Sheets as of October 1, 2000 and October 3,

1999;

Consolidated Statements of Earnings for the fiscal years ended

October 1, 2000, October 3, 1999 and September 27, 1998;

Consolidated Statements of Cash Flows for the fiscal years ended

October 1, 2000, October 3, 1999 and September 27, 1998

Consolidated Statements of Shareholders' Equity for the fiscal years

ended October 1, 2000, October 3, 1999 and September 27, 1998;

Notes to Consolidated Financial Statements; and
Independent Auditors' Report.

2. Financial Statement Schedules.

Financial statement schedules are omitted because they are not

required or are not applicable, or the required information is provided in the consolidated financial statements or notes thereto described in Item 14(a)(1) above.

3. Exhibits.

The Exhibits listed below and on the accompanying Index to Exhibits immediately following the signature page hereto are filed as part of, or incorporated by reference into, this Annual Report on Form 10- K.

EXHIBIT
NUMBER

DESCRIPTION

- | | |
|-------|---|
| 3.1 | Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996) |
| 3.1.1 | Amendment dated November 22, 1995 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996) |
| 3.1.2 | Amendment dated March 18, 1996 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.2 to the Company's Form 10-Q for the quarterly period ended March 31, 1996, filed with the SEC on May 15, 1996) |
| 3.1.3 | Amendment dated March 4, 1999 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarterly period ended March 28, 1999, filed with the |

- SEC on May 12, 1990)
- 3.2 Amended and Restated Bylaws of Starbucks Corporation
 - 10.1 Starbucks Corporation Amended and Restated Key Employee Stock Option Plan -- 1994 (incorporated herein by reference to Appendix A to the Company's Proxy Statement filed with the SEC on January 11, 2000)*
 - 10.2 Starbucks Corporation Amended and Restated 1989 Stock Option Plan for Non-Employee Directors (incorporated herein by reference to Appendix A to the Company's Proxy Statement filed with the SEC on January 13, 1999)*

EXHIBIT NUMBER	DESCRIPTION
10.3	Starbucks Corporation 1991 Company-Wide Stock Option Plan, as amended and restated through August 28, 2000*
10.3.1	Starbucks Corporation 1991 Company-Wide Stock Option Plan -- Rules of the UK Sub-Plan, as amended and restated through August 28, 2000*
10.4	Starbucks Corporation Employee Stock Purchase Plan -- 1995, as amended and restated through June 30, 2000*
10.5	Industrial Lease, dated March 31, 1989, between Starbucks Corporation and the City of Seattle (successor in interest to David A. Sabey and Sandra L. Sabey) (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement No. 33-47951 on Form S-1, filed with the SEC on May 15, 1992)
10.6	Office Lease, dated as of July 15, 1993, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K for the fiscal year ended October 3, 1993, filed with the SEC on December 30, 1993)
10.6.1	Second Amendment to Office Lease, dated as of January 1, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to the Company's Registration Statement No. 33-93974 on Form S-3, filed with the SEC on June 27, 1995)
10.6.2	Third Amendment to Office Lease, dated as of September 30, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-K for the fiscal year ended October 1, 1995, filed with the SEC on December 28, 1995)
10.6.3	Fourth Amendment to Office Lease dated as of October 31, 1997 between First and Utah Street Associates, L.P. and Starbucks Corporation
10.6.4	Fifth Amendment to Office Lease dated as of March 5, 1998, between First and Utah Street Associates, L.P. and Starbucks Corporation
10.6.5	Sixth Amendment to Office Lease dated as of January 4, 1999, between First and Utah Street Associates, L.P. and Starbucks Corporation
10.7	Development Agreement, dated as of February 11, 1994, between Starbucks Corporation and Host International, Inc. (incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K for the fiscal year ended October 2, 1994, filed with the SEC on December 23, 1994)
10.7.1	Development Agreement Addendum regarding Specialty Sandwich Program dated January 3, 1998 between Starbucks Corporation and Host International, Inc.
10.7.2	Development Agreement Addendum dated March 2, 1998 between Starbucks Corporation and Host International, Inc.
10.7.3	Development Agreement Addendum dated April 16, 1998 between Starbucks Corporation and Host International, Inc.

- 10.7.4 Development Agreement Addendum dated May 1, 1998 between Starbucks Corporation and Host International, Inc.
- 10.8 Special Warranty Deed, dated March 7, 1994, between Kent North Corporate Park, as grantor and Starbucks Corporation, as grantee (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the fiscal year ended October 2, 1994, filed with the SEC on December 23, 1994)
- 10.9 Joint Venture and Partnership Agreement, dated August 10, 1994, between Pepsi-Cola Company, a division of PepsiCo, Inc., and Starbucks New Venture Company (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the quarterly period ended July 3, 1994, filed with the SEC on August 16, 1994)

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EXHIBIT NUMBER	DESCRIPTION
10.10	Lease, dated August 22, 1994, between York County Industrial Development Corporation and Starbucks Corporation (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the quarterly period ended July 2, 1995, filed with the SEC on August 15, 1995)
10.14	Starbucks Corporation Executive Management Bonus Plan (incorporated herein by reference to Exhibit 10.15 to the Company's Form 10-K for the fiscal year ended October 3, 1999)*
10.15	Starbucks Corporation Management Deferred Compensation Plan (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the SEC on January 1, 1998)*
10.16	Starbucks Corporation 1997 Deferred Stock Plan (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1999)*
13	Portions of the Fiscal 2000 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Independent Auditors' Consent
27	Financial Data Schedule

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8- K

The Company filed a Current Report on Form 8- K on August 16, 2000 announcing the write- down of its entire investment in living.com Inc.

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SIGNATURES

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

STARBUCKS CORPORATION
By: /s/ HOWARD SCHULTZ

Howard Schultz
chairman of the Board of Directors
and chief global strategist

December 15, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ HOWARD SCHULTZ	chairman of the board of directors and chief global strategist	December 15, 2000
Howard Schultz		
/s/ ORIN C. SMITH	director, president and chief executive officer	December 18, 2000
Orin C. Smith		
/s/ MICHAEL CASEY	executive vice president, chief financial officer and chief administrative officer (principal financial officer and principal accounting officer)	December 15, 2000
Michael Casey		
/s/ BARBARA BASS	director	December 10, 2000
Barbara Bass		
/s/ HOWARD BEHAR	director	December 10, 2000
Howard Behar		
/s/ CRAIG J. FOLEY	director	December 15, 2000
Craig J. Foley		
/s/ GREGORY B. MAFFEI	director	December 19, 2000
Gregory B. Maffei		
/s/ ARLEN I. PRENTICE	director	December 15, 2000
Arlen I. Prentice		
/s/ JAMES G. SHENNAN, JR.	director	December 15, 2000
James G. Shennan, Jr.		
/s/ CRAIG E. WEATHERUP	director	December 14, 2000
Craig E. Weatherup		

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.1	Amendment dated November 22, 1995 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.2	Amendment dated March 18, 1996 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.2 to the Company's Form 10-Q for the quarterly period ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.3	Amendment dated March 4, 1999 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarterly period ended March 28, 1999, filed with the SEC on May 12, 1990)
3.2	Amended and Restated Bylaws of Starbucks Corporation
10.1	Starbucks Corporation Amended and Restated Key Employee Stock Option Plan -- 1994 (incorporated herein by reference to Appendix A to the Company's Proxy Statement filed with the SEC on January 11, 2000)*
10.2	Starbucks Corporation Amended and Restated 1989 Stock Option Plan for Non-Employee Directors (incorporated herein by reference to Appendix A to the Company's Proxy Statement filed with the SEC on January 13, 1999)*
10.3	Starbucks Corporation 1991 Company-Wide Stock Option Plan,

- 10.3.1 as amended and restated through August 28, 2000*
Starbucks Corporation 1991 Company-Wide Stock Option Plan -- Rules of the UK Sub-Plan, as amended and restated through August 28, 2000*
- 10.4 Starbucks Corporation Employee Stock Purchase Plan -- 1995, as amended and restated through June 30, 2000*
- 10.5 Industrial Lease, dated March 31, 1989, between Starbucks Corporation and the City of Seattle (successor in interest to David A. Sabey and Sandra L. Sabey)(incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement No. 33-47951 on Form S-1, filed with the SEC on May 15, 1992)
- 10.6 Office Lease, dated as of July 15, 1993, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K for the fiscal year ended October 3, 1993, filed with the SEC on December 30, 1993)
- 10.6.1 Second Amendment to Office Lease, dated as of January 1, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to the Company's Registration Statement No. 33-93974 on Form S-3, filed with the SEC on June 27, 1995)
- 10.6.2 Third Amendment to Office Lease, dated as of September 30, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-K for the fiscal year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.6.3 Fourth Amendment to Office Lease dated as of October 31, 1997 between First and Utah Street Associates, L.P. and Starbucks Corporation
- 10.6.4 Fifth Amendment to Office Lease dated as of March 5, 1998, between First and Utah Street Associates, L.P. and Starbucks Corporation
- 10.6.5 Sixth Amendment to Office Lease dated as of January 4, 1999, between First and Utah Street Associates, L.P. and Starbucks Corporation

EXHIBIT
NUMBER

DESCRIPTION

- 10.7 Development Agreement, dated as of February 11, 1994, between Starbucks Corporation and Host International, Inc. (incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K for the fiscal year ended October 2, 1994, filed with the SEC on December 23, 1994)
- 10.7.1 Development Agreement Addendum regarding Specialty Sandwich Program dated January 3, 1998 between Starbucks Corporation and Host International, Inc.
- 10.7.2 Development Agreement Addendum dated March 2, 1998 between Starbucks Corporation and Host International, Inc.
- 10.7.3 Development Agreement Addendum dated April 16, 1998 between Starbucks Corporation and Host International, Inc.
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- 10.8 Special Warranty Deed, dated March 7, 1994, between Kent North Corporate Park, as grantor and Starbucks Corporation, as grantee (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the fiscal year ended October 2, 1994, filed with the SEC on December 23, 1994)
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- 10.10 Lease, dated August 22, 1994, between York County Industrial Development Corporation and Starbucks Corporation

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* Management contract or compensatory plan or arrangement.

AMENDED AND RESTATED
BYLAWS
OF
STARBUCKS CORPORATION

ARTICLE I. SHAREHOLDERS

Section 1.1 Annual Meeting. The annual meeting of the shareholders of the Corporation shall be held each year on a date between January 1 and June 30, with a specific date and time to be determined from time to time by the Board of Directors. The failure to hold an annual meeting at the time stated in these bylaws does not affect the validity of any corporate action.

Section 1.2 Special Meetings. Special meetings of the shareholders may be held upon call of the Board of Directors or of the President and shall be called by the Board of Directors or the President upon the delivery of a written request of the holders of ten percent of the outstanding stock entitled to vote to the Secretary of the Corporation.

Section 1.3 Meeting Place. All meetings of the shareholders shall be held at a location determined from time to time by the Board of Directors, and the place at which any such meeting shall be held shall be stated in the notice of the meeting.

Section 1.4 Notice of Meetings. Written notice of the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered personally or mailed not less than ten days nor more than 60 days before the date of the meeting to each shareholder of record entitled to vote, at the address appearing upon the stock transfer books of the Corporation. If the shareholders will be voting on (i) an amendment to the Articles of Incorporation, (ii) a plan of merger or share exchange, (iii) the sale of all or substantially all of the Corporation's assets, or (iv) the dissolution of the Corporation, notice shall be delivered personally or mailed not less than 20 nor more than 60 days before the date of the meeting. Meetings may be held without notice if all shareholders entitled to vote are present or represented by proxy or if notice is waived by those not present or so represented at the beginning of the meeting.

Section 1.5 Waiver of Notice. Notice of time, place and purpose of any meeting may be waived in writing before or after the time of the meeting, and will be waived by any shareholder by his or her attendance at such meeting in person or by proxy unless at the beginning of the meeting such shareholder objects to the meeting or the transaction of business at such meeting. Any shareholder waiving his or her right to notice shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 1.6 Quorum. Except as otherwise required by law:

(a) A quorum at any annual or special meeting of shareholders shall consist of shareholders representing, either in person or by proxy, a majority of the outstanding shares of the Corporation entitled to vote at such meeting. If a quorum is not present, the holders of a majority of the shares so present or represented may adjourn the meeting from time to time until a quorum is present.

(b) Action on a matter other than the election of directors is approved if the votes cast favoring the action exceed the number of votes cast opposing the action.

Section 1.7 Organization of Meetings. Meetings of the shareholders shall be presided over by the President, but if the President is not present, then by a Vice President. If neither the President nor a Vice President is present, by a chairman to be chosen at the meeting. The Secretary of the Corporation shall act as Secretary of the meeting, if present.

Section 1.8 Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation or other officer of the Corporation or agent authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in such proxy. Any proxy regular on its face shall be presumed to be valid.

Section 1.9 Shareholders' Action Without Meeting. Any action required or which may be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Section 1.10 Action of Shareholders by Communication Equipment. Shareholders may participate in a meeting of shareholders by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 1.11 List of Shareholders. At least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, or any adjournment thereof, shall be made. Such list shall be arranged in alphabetical order with the address of and number of shares held by each shareholder. Such record shall be kept on file at the principal office of the Corporation for a period of ten days prior to such meeting. The record shall be produced and kept open at the time and place of such meeting for the inspection of any shareholder. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

ARTICLE II. DIRECTORS

Section 2.1 Number, Election, and Powers.

(a) All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of the Board of Directors, except as may be otherwise provided in the Articles of Incorporation. The Board of Directors shall consist of nine members. The number of directors may be changed by a resolution of the Board of Directors or by a vote of the shareholders at the annual shareholders' meeting.

(b) Directors shall serve staggered terms as set forth in the Articles of Incorporation of the Corporation. Each director shall hold office for the term for which elected and until his or her successor shall have been elected and qualified.

(c) Directors need not be shareholders or residents of the state of Washington. In addition to the powers and authorities expressly conferred upon the Corporation by these Bylaws and the Articles of Incorporation, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders.

Section 2.2 Vacancies. Any vacancy occurring in the Board of Directors, whether caused by resignation, death or otherwise, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill any vacancy shall hold office for the unexpired term of his or her predecessor and until his or her successor is elected and qualified. Any directorship to be filled by reason of an increase in the number of directors may be filled by

the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

Section 2.3 Quorum. A majority of the members of the Board of Directors then holding office shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum shall have been obtained.

Section 2.4 Removal of Directors. Except as otherwise provided by law or by the Articles of Incorporation, at a meeting of shareholders called expressly for that purpose at which a quorum exists, the entire Board of Directors or any member thereof may be removed with or without cause by a vote of the holders of a majority of the shares present and entitled to vote for the election of directors.

Section 2.5 Regular Meetings.

(a) Meetings of the Board of Directors shall be held from time to time at the principal place of business of the Corporation or at such other place or places, either within or without the state of Washington, as the Board of Directors may from time to time designate.

(b) Regular meetings of any committee designated by the Board of Directors may be held at the principal place of business of the Corporation or at such other place or places, either within or without the state of Washington as such committee

may from time to time designate. The schedule for meetings of any committee shall be set by said committee.

Section 2.6 Special Meetings.

(a) Special meetings of the Board of Directors may be called at any time by the President, Secretary or by any one Director, to be held at the principal place of business of the Corporation or at such other place or places as the Board of Directors or the person or persons calling such meeting may from time to time designate.

(b) Special meetings of any committee may be called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

Section 2.7 Notice of Special Meetings. Notice of each special meeting of the Board of Directors shall be delivered to each Director at least two days before the meeting. The notice of any special meeting shall identify the business to be transacted at or the purpose of the special meeting.

Section 2.8 Committees. The Board of Directors may, in its discretion, by resolution passed by a majority of the whole Board of Directors, appoint various committees consisting of two or more members, including an Executive Committee, which shall have and may exercise such powers as shall be conferred or authorized by the resolution appointing such committee. A majority of any such committee, composed of more than two members, may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have the power at any time to change the members of any such committee, to fill vacancies, and to discharge any such committee.

Section 2.9 Action by Directors Without a Meeting. Any action required or which might be taken at a meeting of the Board of Directors or of a committee thereof may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall be filed in the Corporation's minute book, or with the records of the committee so acting.

Section 2.10 Meeting by Telephone. Members of the Board of Directors or any committee designated by the Bylaws or appointed by the Board of Directors may participate in a meeting of such Board of Directors or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

ARTICLE III. CONFLICTS OF INTEREST

The Corporation may enter into contracts and otherwise transact business as vendor, purchaser, or otherwise, with its directors and officers and with corporations, associations, firms, and entities in which they are or may be or become interested as directors, officers, shareholders, members, or otherwise, as freely as though such adverse interest did not exist, even though the vote, action, or presence of such director or officer may be necessary to obligate the Corporation upon such contracts or transactions; and, in the absence of fraud, no such contract or transaction shall be voided and no such director or officer shall be held liable to account to the Corporation, by reason of such adverse interests or by reason of any fiduciary relationship to the Corporation arising out of such office or stock ownership, for any profit or benefit realized through any such contract or transaction; provided that in the case of directors, such director makes the disclosures required by RCW 23B.08.710 through RCW 23.B.08.710, and in the case of officers of the Corporation the nature of the interest of such officer, be disclosed or known to the Board of Directors of the Corporation. Officers need make no disclosure under this article when their interest is less than or equal to five percent of the voting power or control of the other corporation, association, firm or entity.

ARTICLE IV. OFFICERS

Section 4.1 Election or Appointment. The Board of Directors, as soon as practicable after the election of directors held each year, shall appoint a President and a Secretary, and from time to time may appoint a Chairman of the Board, one or more Vice Presidents, a Treasurer and such Assistant Secretaries, Assistant Treasurers and other officers as it may deem proper. Any two or more offices may be held by the same person, except the offices of President and Secretary. Unless otherwise required by law, no officer need be a shareholder of the Corporation or a member of the Board of Directors.

Section 4.2 Term. The term of office of all officers shall be one year or until their respective successors are appointed. Any officer may be removed from office at any time by the affirmative vote of a majority of the Board of Directors or by the action of the duly appointed superior officer to whom he or she reports. The vacancy so created may be filled by the Board of Directors or by such duly appointed superior officer.

Section 4.3 Removal. Any officer appointed by the Board of Directors may be removed with or without cause by the Board of Directors or the duly appointed superior officer to which such officer reports, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause, may be filled by the Board of Directors or by a duly appointed superior officer.

Section 4.5 Delegation. In the case of the absence or inability to act of any officer of the Corporation and of any person herein authorized to act in such person's place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer, employee or agent.

Section 4.6 Bonds. The Board of Directors may, by resolution, require any or all of the officers to give bonds to the Corporation, with sufficient surety or sureties, conditioned for the faithful

performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 4.7 President. The President shall be the principal executive officer of the Corporation and, subject to the Board of Directors' control, shall supervise and control all of the business and affairs of the Corporation. When present, the President shall preside over all meetings of shareholders and directors. With the Secretary or other officer of the Corporation authorized by the Board of Directors, he may sign certificates for shares of the Corporation, deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors has authorized to be executed, except when the signing and execution thereof has been expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or is required by law to be otherwise signed or executed by some other officer or in some other manner. In general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 4.8 Secretary. The Secretary shall: (a) keep the minutes of shareholders' and Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) have responsibility for maintaining the corporate records and the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized; (d) sign with the President or other officer of the Corporation authorized by the Board of Directors certificates for shares of the Corporation, the issuance of which have been authorized by resolution of the Board of Directors; (e) have general responsibility for the stock transfer books of the Corporation; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 5.1 Contracts. The Board of Directors may authorize any officer, employee or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation.

Section 5.2 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer, employee or agent of the Corporation and in such manner as is from time to time determined by resolution of the Board of Directors.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 6.1 Issuance of Shares. No shares of the Corporation shall be issued unless authorized by the Board of Directors. Such authorization shall include the maximum number of shares to be issued and the consideration to be received for each share. No certificate shall be issued for any share until such share is fully paid.

Section 6.2 Certificates for Shares. Certificates representing shares of the Corporation shall be signed by the Chairman of the Board or the President and by the Secretary and shall include on their face written notice of any restrictions which the Board of Directors may impose on the transferability of such shares. All certificates shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificates for a like number of shares shall have been surrendered and canceled except that in case of a

lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 6.3 Transfers.

(a) Transfers of shares shall be made only upon the share transfer books of the Corporation, kept at the registered office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar, and before a new certificate is issued the old certificate shall be surrendered for cancellation. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register, and to record transfers of shares therein.

(b) Shares shall be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on

the back of the certificate or an assignment separate from certificate, or by a written power of attorney to sell, assign and transfer the same, signed by the holder of said certificate. No shares of stock shall be transferred on the books of the Corporation until the outstanding certificates therefor have been surrendered to the Corporation. The Board of Directors may, by resolution, adopt appropriate procedures to allow transfers of shares, the certificates for which have been lost, stolen, mutilated or destroyed.

Section 6.4 Restriction on Transfer. All certificates representing unregistered shares of the Corporation shall bear an appropriate restrictive legend on the face of the certificate or on the reverse of the certificate .

ARTICLE VII. SEAL

The seal of this Corporation shall consist of the name of the Corporation and the state and year of its incorporation.

ARTICLE VIII. INDEMNIFICATION

Section 8.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee, or agent of the Corporation or, being or having been such a director, officer, employee or agent, he or she is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent, shall be indemnified and held harmless by the Corporation to the full extent authorized by the Washington Business Corporation Act or other applicable law, as the same exists or may hereafter be amended, against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that except as provided in Paragraph 8.2 of this Article with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Paragraph 8.1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only

upon delivery to the Corporation of an undertaking, by or on behalf of such director, officer, employee, or agent, to repay all amounts so advanced if it shall ultimately be determined that such director, officer, employee, or agent is not entitled to be indemnified under this Paragraph 8.1 or otherwise.

Section 8.2 Right of Claimant To Bring Suit. If a claim under Paragraph 8.1 of this article is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation) and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is not so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of, or reimbursement or advancement, of expenses to the claimant is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.

Section 8.3 Non- exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of shareholders or disinterested directors, or otherwise.

Section 8.4 Insurance Contracts and Funding. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the Washington Business Corporation Act. The Corporation may enter into contracts with any director, officer, employee, or agent of the Corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this article. Section 8.5 Indemnification of Employees and Agents of the Corporation. The Corporation may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act or otherwise.

ARTICLE IX. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors; and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each. Any books, records, and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

ARTICLE X. AMENDMENTS

Except to the extent prohibited by law, and only upon a vote of two-thirds of the Board of Directors, these Bylaws may be altered, amended or repealed, and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

Amended December 14, 1987; January 18, 1991; May 29, 1991; June 4, 1992; September 27, 1993; May 17, 1995; December 20, 1995; and November 14, 2000.

STARBUCKS CORPORATION
1991 COMPANY-WIDE
STOCK OPTION PLAN

As Amended and Restated through August 28, 2000

1. Purpose.

The purpose of this Plan is to encourage ownership of the common stock of Starbucks Corporation ("the Company") by all Partners of the Company and its Subsidiaries. This Plan is intended to provide an incentive for Partners to exert their maximum efforts to achieve the successful operation of the Company and is intended to assist the Company in attracting and retaining talented personnel by providing an opportunity to benefit from the increased value of the Company, to which such Partners and new personnel have contributed. The Plan is expected to benefit the shareholders of the Company by linking the interests of the Company's Partners with those of its shareholders. The benefits of this Plan are not a substitute for compensation otherwise payable to Partners pursuant to the terms of their employment.

2. Definitions.

For purposes of the Plan:

"AGREEMENT" means the written document issued by the Company to an Optionee evidencing the grant of Options and setting forth the terms and conditions of such grant.

"BASE WAGES," with respect to an Eligible Partner, means all gross actual base pay (including any applicable shift differentials), whether paid or deferred, but not including overtime, bonuses and commissions, and shall be calculated before deductions for amounts contributed to Company benefits and/or long-term savings plans. "Base Wages" does not include deferred income at payout, any awards payable under any long-term incentive plan to be adopted by the Company, imputed income for life insurance, relocation reimbursement or similar programs. With respect to the entire Company, "Base Wages" means the total amount of Base Wages for all Eligible Partners at a particular time under the Plan.

"BOARD" means the Board of Directors of the Company.

"CHANGE IN CAPITALIZATION" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) in the Shares or exchange of Shares for a different number or kind of shares or other securities of the Company or another corporation, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or

debentures, stock dividend, stock split or reverse stock split, cash dividend, property dividend, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise.

"CHANGE IN CONTROL" has the meaning set forth in Section 5.9 hereof.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMITTEE" means a committee, as described in Section 3.1, that may be appointed by the Board from time to time to administer the Plan and to perform the functions set forth herein.

"COMPANY" means Starbucks Corporation.

"DIRECTOR" means a member of the Board.

"DISABILITY" means:

(a) in the case of an Optionee whose employment with the Company or a Subsidiary is subject to the terms of an employment agreement between such Optionee and the Company or Subsidiary, which employment agreement includes a definition of "Disability," the term "Disability" as used in this Plan or any Agreement shall have the meaning set forth in such employment agreement during the period that such employment agreement remains in effect; and

(b) in all other cases, the term "Disability" as used in this Plan or any Agreement shall have the same meaning as set forth under the Company's long-term disability plan as may be amended from time to time and in the event the Company does not maintain such a plan, a physical or mental condition resulting from bodily injury, disease, or mental disorder which renders the Optionee incapable of continuing his or her usual and customary employment with the Company or Subsidiary, as the case may be.

"ELIGIBLE PARTNER" means any regular, full-time or part-time Partner who (i) was a Partner as of April 1 in the fiscal year of the Company prior to the date of the Option grant, (ii) is a Partner on the date of the Option grant, and (iii) who has been paid for at least 500 hours (which equates to approximately twenty hours per week on average) between April 1 and the last day of the prior fiscal year or between the first day of the prior fiscal year and March 31 of the fiscal year prior to the date of the Option grant. Officers and members of the Boards of Directors of the Company or its Subsidiaries shall not be eligible to participate in this Plan. In addition, none of the following individuals shall be an Eligible Partner:

(1) A Partner covered by a collective bargaining agreement, unless the collective bargaining agreement applicable to the Partner specifically provides for participation in this Plan;

(2) A leased employee;

(3) A temporary Partner as defined by the Company's human resources policy; or

(4) Individuals who are not designated as "employees" in the Company's or applicable Subsidiary's employment records. For example, individuals engaged to perform services in a relationship which the Company or Subsidiary characterizes as that of an "independent contractor" with respect to the Company or Subsidiary shall not be Eligible Partners. Individuals described in this paragraph shall not be Eligible Partners for the period they are not characterized as employees in the Company or applicable Subsidiary's employment records, even if a determination is made by the Internal Revenue Service, the United States Department of Labor, another governmental agency, a court or other tribunal that the individual is an "employee" of the Company or Subsidiary during that period, for purposes of pertinent sections of the Code or for any other purpose. An individual who has not been designated an Eligible Partner on account of this paragraph may, in the sole discretion of the Committee, be designated an Eligible Partner effective as of the date as of which the Company or applicable Subsidiary characterizes the individual as an "employee" in their employment records.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FAIR MARKET VALUE" on any date means the closing sale price of a Share on the principal national securities exchange or stock market on which such Shares are listed or admitted to trading. If there are no quoted prices with respect to Shares for such date, the Fair Market Value shall be the closing sale price per Share on the immediately previous business day on which such quotations are available and, if the Shares are no longer publicly-traded, the Fair Market Value shall be the value established by the Board in good faith.

"OFFICER" means a Partner serving in a position of vice president or higher of the Company or its Subsidiaries.

"OPTION" means an option to purchase a Share under the Plan; no Option granted under the Plan shall be an incentive stock option within the meaning of Section 422 of the Code.

"OPTIONEE" means a person to whom an Option has been granted under the Plan.

"PARTNER" means any individual serving as an employee of the Company or any of its Subsidiaries.

"PERSON" means a natural person, company, government or political subdivision, agency or instrumentality of a government.

"PLAN" means the Starbucks Corporation 1991 Company- Wide Stock Option Plan, including any country- specific rules approved and adopted by the Board or the Committee, as such plan and country- specific rules may be amended and restated from time to time.

"SHARES" means the shares of common stock, no par value per share, of the Company.

"SUBSIDIARY" means any corporation or other Person, of which a majority of its voting equity securities or equity interest is owned directly or indirectly by the Company.

3. Administration.

3.1. The Plan shall be administered by the Board, provided however that the Board may appoint a Committee to administer the Plan, consisting of not less than three members of the Board.

3.2. Authority; Powers. Subject to the express terms and conditions set forth herein, the Board (or the Committee, if so appointed) shall have the power from time to time to:

(a) determine those Eligible Partners to whom Options shall be granted under the Plan, the number of Options to be granted and the terms and conditions of such Option grants, including the exercise price per Option;

(b) construe and interpret the Plan and the Options granted hereunder and to establish, amend and revoke rules and regulations for the administration of the Plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement, in the manner and to the extent it shall deem necessary or advisable so that the Plan complies with applicable law, and otherwise to make the Plan fully effective. All decisions and determinations by the Board or the Committee in the exercise of this power shall be final, binding and conclusive upon the Company, its Subsidiaries, the Optionees, and all other persons having any interest herein;

(c) exercise its discretion with respect to the powers and rights granted to it as set forth in the Plan;

(d) generally exercise such powers and to perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan; and

(e) delegate to an administrator or administrators those clerical and administrative functions which can be legally delegated to such administrator or administrators.

4. Stock Subject to the Plan and Maximum Grants.

4.1. Number. The number of Shares reserved for issuance pursuant to the exercise of Options granted under the Plan is 16,000,000. The maximum number of Options that an Eligible Partner may receive in any fiscal year may not exceed Options to purchase the number of Shares having an aggregate Fair Market Value on the date of grant equal to fourteen percent (14%) of such Eligible Partner's Base Wages for the previous fiscal year of the Company. No Eligible Partner shall be granted Options under this Plan that would result in such Eligible Partner receiving more than five percent (5%) of the maximum number of Shares available for issuance hereunder. Upon a Change in Capitalization, the number of Shares referred to in the first sentence of this Section 4.1 shall be adjusted pursuant to Section 7.

4.2. Reduction of Number. Upon the granting of Options, the number of Shares available under Section 4.1 for the granting of further Options shall be reduced by the number of Shares for which such Options may be exercised.

4.3. Expired Options. Whenever any outstanding Option is canceled or is otherwise terminated for any reason without having been exercised, the Share allocable to the expired, canceled or otherwise terminated Option shall continue to be reserved for issuance under the Plan and may be the subject of new Options granted hereunder.

5. Terms and Conditions of Options.

5.1. Agreement and Date of Grant. The terms and conditions of the grant of Options to an Eligible Partner shall be set forth in an Agreement. The Board or the Committee shall determine, in its sole discretion, the date during the quarter following the end of the Company's fiscal year upon which Options are granted.

5.2. Exercise Price. The exercise price for each Option shall be 100% of the Fair Market Value of a Share on the date the Option is granted.

5.3. Vesting. Subject to Section 5.9, and unless otherwise approved by action of the Board or the Committee, each grant of Options shall vest and become exercisable in annual twenty- five percent (25%) installments commencing on the first anniversary of the date of grant. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Options expire. Options shall cease vesting as

of the date of the Optionee's death, Disability, or other voluntary or involuntary termination of employment with the Company or any Subsidiary.

5.4. Term. Unless otherwise provided in the applicable

Agreement, each Option granted hereunder shall have a term of ten (10) years. The Committee may, subsequent to the granting of any Option, extend the term thereof, but in no event shall the term of any Option exceed ten (10) years.

5.5. Modification. No modification of an Option shall adversely alter or impair any rights or obligations under the Option without the Optionee's consent.

5.6 Non- Transferability. An Option granted hereunder shall not be transferable by the Optionee except by will or the laws of descent and distribution or pursuant to a domestic relations order (within the meaning of Rule 16a- 12 promulgated under the Exchange Act). An Option may be exercised during the lifetime of such Optionee only by the Optionee or his or her guardian or legal representative. The terms of such Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Optionee.

5.7 Method of Exercise. An Optionee desiring to exercise options granted and exercisable hereunder shall notify the Company or, if required by the Company, the brokerage firm designated by the Company to facilitate exercises and sales under this Plan, specifying the number of Options to be exercised. The notification to the brokerage firm shall be made in accordance with procedures of such brokerage firm approved by the Company. The notification to the Company or the designated brokerage firm shall be accompanied by (i) payment of the aggregate exercise price of the Options in cash or by tender of previously- owned Shares having an aggregate Fair Market Value of at least the aggregate exercise price, or (ii) a request that the Company or the designated brokerage firm conduct a cashless exercise of the Options. Payment of the aggregate exercise price by means of tendering previously- owned Shares of the Company's common stock shall not be permitted when the same may, in the reasonable opinion of the Company, cause the Company to record a loss or expense as a result thereof.

5.8 Rights of Optionees. No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Options unless and until (i) the Options shall have been exercised pursuant to the terms thereof, and (ii) the Company shall have issued and delivered Shares to or for the account of the Optionee. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such Shares. Nothing in this Plan should be construed to provide any Partner with any right to receive an Option under this Plan, irrespective of whether the Partner may or may not be an Eligible Partner.

5.9 Effect of Change in Control. In the event of a Change in Control, all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable and shall remain exercisable in accordance with Section 6.2. A "Change in Control" means the occurrence during the term of the Plan of:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any Person (as the term Person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d- 3 promulgated under the Exchange Act) of twenty- five percent (25%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Shares or Voting Securities which are acquired in a "Non- Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control.

A "Non- Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by the Company or any Subsidiary, (ii) the Company or its Subsidiaries, or (iii) any Person in connection with a "Non- Control Transaction" (as hereinafter defined);

(b) Cessation for any reason of the individuals who are members of the Board as of August 28, 2000 (the "Incumbent Board") to constitute at least two- thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common shareholders, of any new director was approved by a vote of at least two- thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a- 11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(i) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued, unless such merger, consolidation or reorganization is a "Non- Control Transaction." A "Non- Control Transaction" shall mean a merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued where:

(A) the shareholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, at least fifty percent (50%) of the combined voting power of

the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or

reorganization,

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, or a corporation directly or indirectly beneficially owning a majority of the Voting Securities of the Surviving Corporation, and

(C) no Person other than (i) the Company, (ii) any Subsidiary, (iii) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such merger, consolidation or reorganization, was maintained by the Company or any Subsidiary, or (iv) any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of twenty-five percent (25%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of twenty-five percent (25%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities or its common stock.

(ii) A complete liquidation or dissolution of the Company; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then

outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur. Section 5.9 set forth above applies to any Option granted or Change in Control occurring after June 4, 1998; provided, however, that in the event that the adoption of Section 5.9 as set forth above is considered to be an alteration of equity interests in contemplation of a pooling of interests transaction, the adoption of Section 5.9 shall be automatically rescinded. Upon the rescission of the adoption of Section 5.9 set forth above, the effect of a merger, consolidation, tender offer or takeover bid shall be governed by the terms of Section 2.6 of the Plan in effect prior to June 4, 1998.

6. Effect of a Termination of Employment.

6.1. Board or Committee Discretion. The Agreement evidencing the grant of each Option may set forth the terms and conditions applicable to such Option upon a termination or change in the status of the employment of the Optionee by the Company, or a Subsidiary (including a termination or change by reason of the sale of a Subsidiary), which shall be as the Board or Committee may, in its discretion, determine at the time the Option is granted or thereafter.

6.2. Default Provisions. Unless otherwise provided in the applicable Agreement pursuant to the Board or Committee's authority as set forth in Section 6.1, any Option granted pursuant to this Plan shall expire at the earliest of the following:

(i) the date specified in the Option;

(ii) ninety (90) days after the date of voluntary or involuntary termination of Optionee's employment other than a termination as described in (iii) or (iv) below;

(iii) on the date of the discharge of the Optionee for

misconduct that is willfully or wantonly harmful to the Company; or

(iv) twelve (12) months after the date of the Optionee's death or termination due to Disability.

7. Adjustment Upon Changes in Capitalization.

7.1. Adjustment. In the event of a Change in Capitalization, the Board or the Committee, as appropriate, shall conclusively determine the appropriate adjustments, if any, to (i) the number of Shares reserved for issuance pursuant to the exercise of Options under the Plan, (ii) the maximum number of Shares with respect to which Options may be granted to any Eligible Partner during the term of the Plan, and (iii) the number of Shares which are subject to outstanding Options granted under the Plan and the exercise price therefor (if applicable).

7.2. No Fractional Shares. If any adjustment under Section 7.1 hereof results in an obligation of the Company to issue a fractional Share, the number of Shares to be issued shall be rounded to the nearest whole number. Under no circumstances shall the Company be obligated to issue and fractional Shares pursuant to the exercise of Options under this Plan.

8. Termination and Amendment of the Plan.

The Plan shall terminate on August 28, 2010 and no Option may be granted thereafter. Subject to Section 5.5, the Board or the Committee may terminate the Plan prior to the day set forth above and the Board or the Committee, may at any time and from time to time amend, modify or suspend the Plan and all administrative rules, regulations and practices; provided, however, that:

- (a) no such amendment, modification, suspension or termination shall impair or adversely alter any Options theretofore granted under the Plan, except with the consent of the Optionee, nor shall any amendment, modification, suspension or termination deprive any Optionee of any Shares that he or she may have acquired through or as a result of the Plan; and
- (b) to the extent necessary under applicable law, no amendment shall be effective unless approved by the shareholders of the Company in accordance with applicable law.

9. Non- Exclusivity of the Plan.

The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

10. Limitation of Liability.

As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

- (a) give any person any right to be granted an Option other than at the sole discretion of the Board or the Committee;
- (b) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan and any applicable Agreement;
- (c) limit in any way the right of the Company or any Subsidiary to terminate the employment of any person at any time; or
- (d) be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person at any particular rate of compensation or for any particular period of time.

11. Regulations and Other Approvals; Governing Law.

11.1. State Law. Except as to matters of federal law, the Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Washington without giving effect to conflicts of laws principles thereof.

11.2. Applicable Laws and Regulations. The obligation of the Company to issue Shares upon the exercise of Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board or the Committee.

11.3. Compliance. The Board or the Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority.

12. Foreign Eligible Partners.

Without amending the Plan, the Board or the Committee may grant Options to Eligible Partners who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or advisable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Board or the Committee may make such modifications, amendments, procedures, subplans, and the like as may be necessary or advisable to comply with the provisions of the laws in other countries in which the Company or its Subsidiaries operate or have employees.

13. Miscellaneous.

13.1. Multiple Option Grants. The terms of each Option grant may differ from other Options granted under the Plan at another time. The Committee may also make more than one grant of Options to a given Eligible Partner during the term of the Plan.

13.2. Withholding of Taxes. At such time as an Optionee recognizes taxable income in connection with the receipt of Shares or receives cash in connection with the sale of Shares acquired pursuant to the exercise of Options under the Plan (a "Taxable Event"), the Optionee shall pay to the Company an amount equal to the federal, state and local (including applicable local country) taxes required to be withheld by the Company in connection with the Taxable Event (the "Withholding Taxes") prior to the issuance of such Shares or the payment of such cash. The Company shall have the right

to deduct from any payment of cash to an Optionee an amount equal to the Withholding Taxes in satisfaction of the obligation to pay Withholding Taxes. In satisfaction of the obligation to pay Withholding Taxes to the Company, the

Optionee may elect to have a portion of the Shares then issuable to him or her having an aggregate Fair Market Value on the date of exercise equal to or greater than the Withholding Taxes withheld by the Company. If Shares are to be withheld to pay required Withholding Taxes, the Optionee, his or her personal representative or permitted transferee must deliver an attestation that he or she has held a number of Shares equal to the number to be withheld to pay such Withholding Taxes for at least six (6) months.

STARBUCKS CORPORATION
1991 COMPANY-WIDE
STOCK OPTION PLAN:
RULES OF THE UK SUB-PLAN

As adopted by a resolution by the Compensation Committee of the Board on September 28, 1999 as amended on August 28, 2000

STARBUCKS CORPORATION 1991 COMPANY-WIDE STOCK OPTION PLAN: RULES OF THE UK
SUB-PLAN

1 INTRODUCTION

For the purpose of granting options under a scheme approved by the Inland Revenue under Schedule 9, the terms of the Starbucks Corporation 1991 Company- Wide Stock Option Plan (the "Main Plan") shall be applied to any option which is designated as a "UK Approved Option" in the relevant Agreement, subject to the modifications set out in the following Rules.

2 DEFINITIONS

2.1 Where the context so admits, the definitions in the Main Plan also apply to these Rules. In addition, in these Rules:
"Associated Company" has the same meaning as in Section 416 of the UK Act;

"Company" means Starbucks Corporation, incorporated

under the laws of the State of Washington, USA, whose principal office is at 2401 Utah Avenue South, Seattle, WA 98134, USA by whatever name known from time to time;

"Control" has the same meaning as in Section 840 of the UK Act;

"Exchange Rate" for any day means the average of the buying

and the selling prices Pounds Sterling for US Dollar spot rates at close for that day, as quoted by the Financial Times newspaper (or a similar publication selected by the

Committee);

"Group" means the Company and any other companies

of which the Company has Control and "member of the Group" shall be construed

accordingly;

"Inland Revenue" means the Board of Inland Revenue of the

United Kingdom;

"Main Plan" means the Starbucks Corporation 1991

Company- Wide Stock Option Plan as amended

and restated by shareholders on June 4,

1998, as from time to time further amended;

"Market Value" means, on any date, the closing price of a

share as reported by the Nasdaq Stock Market, Inc. provided that the Inland Revenue Shares Valuation Division has agreed to this in advance, or otherwise the market value of a share determined in accordance with the provision of Part VIII of the United Kingdom Taxation of Chargeable Gains Act 1992 and agreed for the purposes of the UK Sub- Plan with the Inland Revenue on or before that date;

"Qualifying Partner" means any employee of a member of the Group

who is not a director or officer, PROVIDED THAT to be a Qualifying Partner such employee must be chargeable to tax in respect of his office or employment under Case I of Schedule E;

"Schedule 9" means Schedule 9 to the UK Act; "Subsisting Option" means an option which has neither lapsed

nor been exercised;

"UK Act" means the United Kingdom Income and Corporation Taxes Act 1988;

"UK Approved Option" means an option to acquire Shares granted under the UK Sub-Plan;

"UK Sub-Plan" means the UK Sub-Plan of the Main Plan established by these Rules, as from time to time amended.

2.2 Where the context so admits, any reference in these Rules:

A. to the singular number shall be construed as if it referred also to the plural number and vice versa;

B. to the masculine gender shall be construed as if it referred also to the feminine gender; and

C. to a statute or statutory provision shall be construed as if it referred also to that statute or statutory provision as for the time being modified, extended or re-enacted.

2.3 The headings in these Rules are for convenience only and shall not affect their construction.

3 GRANT OF OPTIONS

3.1 No UK Approved Option shall be granted to any person who is not a Qualifying Partner on the date of grant or who is precluded from participating in the UK Sub- Plan by paragraph 8 of Schedule 9.

3.2 No UK Approved Option shall be granted over Shares which do not satisfy the conditions specified in paragraphs 10 to 14 inclusive of Schedule 9.

3.3 The exercise price per Share for a UK Approved Option shall not be less than 100% of the Market Value of a Share on the date the Option is granted.

3.4 Any UK Approved Option granted to a Qualifying Partner on any date shall be limited and take effect so that the aggregate Market Value of the Shares subject to that option and any other shares subject to Subsisting Options granted to him under the UK Sub- Plan or any other scheme (not being a savings- related share option scheme) approved under Schedule 9 and established by the Company or any Associated Company of the Company does not exceed or further exceed the limit in paragraph 28 of Schedule 9. For the purpose of this Rule 3.4, the Market Value of Shares shall be calculated as at the time the options in relation to those shares were granted or at such earlier time or times as may have been agreed in writing with the Inland Revenue and, where relevant, shall be converted into Pounds Sterling at the Exchange Rate.

4 EXERCISE OF OPTIONS

- 4.1 An Optionee may not exercise a UK Approved Option at any time when he is precluded from participating in the UK Sub-Plan by paragraph 8 of Schedule 9.
- 4.2 No UK Approved Option may be exercised unless the Shares which may be acquired on such exercise satisfy the conditions specified in paragraphs 10 to 14 inclusive of Schedule 9.

4.3 The exercise price for the Shares as to which a UK Approved Option is exercised shall be paid in cash. No Shares acquired on exercise of a UK Approved Option may be paid for by tender of previously- owned Shares.

4.4 Shares shall be delivered upon the exercise of a UK Approved Option within 30 days of the exercise date.

4.5 In the event of the death of an Optionee, a UK Approved Option may only be exercised by the Optionee's legal personal representatives and may not be exercised more than one year after the date of his death.

5 CHANGE OF CONTROL

5.1 Subject to Rules 5.3, 5.4 and 5.5 if a company (the "Acquirer"):

- A. obtains Control of the Company as a result of making:
- a general offer to acquire the whole of the issued Common Stock of the Company, which is made on a condition such that if it is satisfied the Acquirer will have such Control; or
 - a general offer to acquire all the Shares; or

B. obtains Control of the Company in pursuance of a compromise or arrangement sanctioned by the court under Section 425 of the United Kingdom Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986; or

C. becomes bound or entitled to acquire shares in the Company under Sections 428 to 430 of the said Act of 1985 or Articles 421 to 423 of the said Order of 1986

an Optionee may, by agreement with the Acquirer, at any time within the Appropriate Period, release his rights under his UK Approved Option ("Old Rights") in consideration of the grant to him of rights ("New Rights") which are equivalent to the Old Rights but relate to shares in the Acquirer or some other company falling within paragraphs 10 (b) or (c) of Schedule 9.

5.2 In Rule 5.1, "Appropriate Period" means:

- A. in a case falling within paragraph a, the period of six months beginning with the time when the Acquirer has obtained Control of the Company and any condition subject to which the offer is made is satisfied;

B. in a case falling within paragraph b, the period of six months beginning with the time when the court sanctions the compromise or arrangement; and

C. in a case falling within paragraph c, the period during which the Acquirer remains bound or entitled as mentioned in that paragraph.

5.3 For the purposes of this Rule 5, references to Sections 425 and 428 to 430 of the Companies Act 1985 and Articles 418 and 421 to 423 of the Companies (Northern Ireland) Order 1986 shall be construed, where the relevant event occurs in a jurisdiction other than that of the United Kingdom, as being references to similar legislation acceptable to the Inland Revenue.

5.4 The New Rights shall not be regarded for the purpose of Rule 5.1 as equivalent to the Old Rights unless:

A. the shares to which the New Rights relate satisfy the conditions

specified in paragraphs 10 to 14 inclusive of Schedule 9;

B. the total Market Value, immediately before the release, of the Shares which were subject to the Old Rights is equal to the total Market Value, immediately after the grant, of the shares in respect of which the New Rights are granted;

C. the total amount payable by the Optionee for the acquisition of shares on complete exercise of the New Rights is equal to the total amount which would have been payable for the acquisition of Shares on complete exercise of the Old Rights; and

D. the New Rights will be exercisable in the same manner as the Old Rights and subject to the provisions of the UK Sub-Plan as it had effect immediately before the release of the Old Rights, except that the term "Shares" shall mean the shares to which the New Rights relate and the term "Company" shall mean the company of which those shares form part of the share capital.

5.5 Rights may only be released under Rule 5.1 at a time when the relevant UK Approved Option is exercisable pursuant to Section 5.9 of the Main Plan.

6 ADJUSTMENT OF OPTIONS

6.1 No adjustment shall be made to a UK Approved Option, under Section 7 of the Main Plan, except for variation in the share capital of the Company by way of capitalisation or rights issue, consolidation, subdivision or reduction of capital or otherwise.

6.2 No adjustment to a UK Approved Option, under Section 7 of the Main Plan, shall take effect until it has been approved by the Inland Revenue.

7 AMENDMENT OF THE UK SUB-PLAN

No amendment which is made to these Rules or to any of the provisions of the Main Plan which affect options granted under the UK Sub-Plan shall be applicable to UK Approved Options until it has been approved by the Inland Revenue.

EXHIBIT 10.4

STARBUCKS CORPORATION

EMPLOYEE STOCK PURCHASE PLAN -- 1995

As Amended and Restated Effective June 30, 2000

(Includes effect of 2-for-1 Stock Split Effective March 19, 1999)

1. Purpose of the Plan. The Starbucks Corporation Employee Stock Purchase Plan - - 1995 (the "Plan") is intended to provide a method whereby eligible employees of Starbucks Corporation (the "Company") and its Subsidiaries will have an opportunity to purchase Shares of the common stock of the Company. The Company believes that employee participation in the ownership of the Company is of benefit to both the employees and the Company. The Company intends to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (as hereinafter defined). The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner that is consistent with the requirements of that Section of the Code.

2. Definitions.

Account. "Account" shall mean the funds that are accumulated with respect to each individual Participant as a result of payroll deductions for the purpose of purchasing Shares under the Plan. The funds that are allocated to a Participant's Account shall at all times remain the property of that Participant, but such funds may be commingled with the general funds of the Company.

Base Pay. "Base Pay" means an employee's regular straight time salary or earnings.

Board. The "Board" means the Board of Directors of the Company.

Code. The "Code" means the Internal Revenue Code of 1986, as amended.

Commencement Date. The "Commencement Date" means the January 1, April 1, July 1 or October 1, as the case may be, on which a particular Offering begins.

Committee. The "Committee" shall mean the Compensation Committee of the Board or another committee appointed by the Board to administer and fulfill its duties under the Plan.

Ending Date. The "Ending Date" means the March 31, June 30, September 30, or December 31, as the case may be, on which the particular Offering concludes.

ESPP Broker. The "ESPP Broker" is a qualified stock brokerage or other financial services firm that has been designated by the Company.

Fair Market Value. The "Fair Market Value" of the Shares shall be the price per Share as quoted on The Nasdaq Stock Market, Inc. at the close of regular trading. The Board or the Committee may designate a different time or method of determining Fair Market Value if appropriate because of changes in the hours and methods of trading on The Nasdaq

Stock Market, Inc. If the common stock ceases to be listed on The Nasdaq Stock Market, Inc. the Board or the Committee shall designate an alternative exchange, stock market, or method of determining Fair Market Value of the common stock. Holding Period. The "Holding Period" shall mean the holding period that is set forth in Section 423(a) of the Code, which, as of the date that the Company's Board of Directors adopted this Plan, is the later of (a) the two- year period after the Commencement Date and (b) the one- year period after transfer to a Participant of any Shares under the Plan.

Participant. "Participant" means an employee who, pursuant to Section 3, is eligible to participate in the Plan and has complied with the requirements of Section 7.

Offerings. "Offerings" means the consecutive three- month periods for the purchase and sale of Shares under the Plan. Each one of the Offerings shall be referred to as an "Offering."

Shares. "Shares" means shares of the Company's common stock, no par value, that will be sold to Participants under the Plan.

Subsidiaries. "Subsidiaries" shall mean any present or future domestic or foreign corporation that: (i) would be a "subsidiary corporation" of the Company as that term is defined in Section 424 of the Code, and (ii) whose employees have been designated by the Board or the Committee to be eligible, subject to Section 3, to be Participants under the Plan.

Withdrawal Notice. "Withdrawal Notice" means a notice, in a form designated by the Company, that a Participant who wishes to withdraw from the Plan must submit to the Company pursuant to Section 22.

3. Employees Eligible to Participate. Any regular employee of the Company or any of its Subsidiaries who (a) is in the employ of the Company or any of its Subsidiaries on the Commencement Date, (b) has been so employed for at least ninety consecutive days, and (c) has been paid for an average of at least twenty hours per week during such employment, is eligible to participate in the Plan.

4. Offerings. The Plan shall consist of Offerings commencing on July 1, 1995 and on each subsequent October 1, January 1, April 1, and July 1.

5. Price. The purchase price per Share shall be the lesser of: (1) 85 percent of the Fair Market Value of a Share on the Commencement Date if a business day, or the nearest subsequent business day; or (2) 85 percent of the Fair Market Value of a Share on the Ending Date, or the nearest prior business day.

6. Number of Shares Offered Under the Plan. The maximum number of Shares that will be offered under the Plan is 8,000,000. If, on any date, the total number of Shares for which purchase rights are to be granted pursuant to Section 9 exceeds the number of Shares then available under this Section 6 after deduction of all Shares (a) that have been purchased under the Plan and (b) for which rights to purchase are then outstanding, the Company shall make a pro- rata allocation of the Shares that remain available in as nearly a uniform manner as shall be practicable and as it shall determine, in its sole judgment, to be equitable. In such event, the number of Shares each Participants may purchase shall be reduced and the Company shall give to each Participant a written notice of such reduction.

7. Participation. An eligible employee may become a Participant by completing the enrollment process as designated by the Company prior to the Commencement Date of the Offering to which it relates. Participation in one Offering under the Plan shall neither limit, nor require, participation in any other Offering, but a Participant shall remain enrolled in the Plan until the Participant withdraws from the Plan pursuant to Section 13 hereof, or his or her employment is terminated with the Company or one of its Subsidiaries.

8. Payroll Deductions.

8.1 At the time the enrollment process is completed and for so long as a Participant participates in the Plan, each Participant shall authorize the Company to make payroll deductions of a whole percentage (not partial or fractional) of Base Pay; provided, however, that no payroll deduction shall be less than one percent or exceed 10 percent of Base Pay. The amount of the minimum percentage deduction may be adjusted by the Board of Directors or Committee from time to time; provided, however, that a Participant's existing rights under any Offering that has already commenced may not be adversely affected thereby.

8.2 Each Participant's payroll deductions shall be credited to that Participant's Account. A Participant may not make a separate cash payment into such Account nor may payment for Shares be made from other than the Participant's Account.

8.3 A Participant's payroll deductions shall begin on or

following the Commencement Date, and shall continue until the termination of the Plan unless the Participant elects to withdraw pursuant to Section 13 or changes his or her contribution percentage prior to the Commencement Date for a subsequent Offering.

8.4 A Participant may discontinue participation in the Plan as provided in Section 13, but no other change may be made during an Offering and, specifically, a Participant may not alter the amount or rate of payroll deductions during an Offering.

9. Granting of Right to Purchase. On the Commencement Date, the Plan shall be deemed to have granted automatically to each Participant a right to purchase as many full Shares (not any fractional Shares) as may be purchased with such Participant's Account.

10. Purchase of Shares. On the Ending Date, each Participant who has not otherwise withdrawn from an Offering shall be deemed to have carried out the right to purchase, and shall be deemed to have purchased at the purchase price set forth in Section 5, the number of full Shares (not any fractional Shares) that may be purchased with such Participant's Account.

11. Participant's Rights as a Shareholder. No Participant shall have any rights of a shareholder with respect to any Shares until the Shares have been purchased in accordance with Section 10 and issued by the Company.

12. Evidence of Ownership of Shares.

12.1 Promptly following the Ending Date of each Offering, the Shares that are purchased by each Participant shall be deposited into an account that is established in the Participant's name with the ESPP Broker.

12.2 A Participant may direct, by written notice to the ESPP Broker prior to the Ending Date of the pertinent Offering, that the ESPP Broker account be established in the names of the Participant and one such other person as may be designated by the Participant as joint tenants with right of survivorship, tenants in common, or community property, to the extent and in the manner permitted by applicable law.

12.3 A Participant shall be free to undertake a disposition, as that term is defined in Section 424(c) of the Code (which generally includes any sale, exchange, gift, or transfer of legal title), of Shares in the Participant's ESPP Broker account at any time, whether by sale, exchange, gift, or other transfer of title. Subject to Section 12.4 below, in the absence of such a disposition of the Shares, however, the Shares must remain in the Participant's account at the ESPP Broker until the Holding Period has been satisfied. With respect to Shares for which the Holding Period has been satisfied, a Participant may move such Shares to an account at another brokerage firm of the Participant's choosing or request that a certificate that represents the Shares be issued and delivered to the Participant.

12.4 A Participant who is not subject to United States taxation may, at any time and without regard to the Holding Period, move his or her Shares to an account at another brokerage firm of the Participant's choosing or request that a certificate that represents the Shares be issued and delivered to the Participant.

13. Withdrawal.

13.1 A Participant may withdraw from the Plan, in whole but not in part, by delivering a Withdrawal Notice to the Company by the 15th of the month or date designated by the Company prior to the next Offering. A Participant's withdrawal will become effective on the

Commencement Date of the next Offering following withdrawal. After such withdrawal, the Company shall refund the Participant's entire Account as soon as practicable.

13.2 An employee who has previously withdrawn from the Plan may re-enter by complying with the requirements of Section 7. Upon compliance with such requirements, an employee's re-entry into the Plan will become effective on the Commencement Date of the next Offering following the date the employee complies with Section 7 with respect to the re-entry.

14. Carryover of Account. At the conclusion of each Offering, the Company shall automatically re-enroll each Participant in the next Offering, and the balance of each Participant's Account shall be used to purchase Shares in the subsequent Offering, unless the Participant has advised the Company otherwise in writing, or as set forth in Section 20, in which case the Company shall refund to the Participant the funds that remain in the Participant's Account as soon as practicable thereafter.

15. Interest. No interest shall be paid or allowed on a Participant's Account.

16. Rights Not Transferable. No Participant shall be permitted to sell, assign, transfer, pledge, or otherwise dispose of or encumber such Participant's Account or any rights to purchase or to receive Shares under the Plan other than by will or the laws of descent and distribution, and such rights and interests shall not be liable for, or subject to, a Participant's debts, contracts, or liabilities. If a Participant purports to make a transfer, or a third party makes a claim in respect of a Participant's rights or interests, whether by garnishment, levy, attachment, or otherwise, such purported transfer or claim shall be treated as a withdrawal election under Section 13.

17. Termination of Employment. As soon as practicable upon termination of a Participant's employment with the Company for any reason whatsoever, including but not limited to death or retirement, the Participant's Account shall be refunded to the Participant or the Participant's estate, as applicable.

18. Amendment or Discontinuance of the Plan. The Board or the Committee shall have the right to amend or modify the Plan at any time without notice, and the Board shall have the right to terminate the Plan at any time without notice, provided that (i) subject to Sections 19 and 23.1(b), no Participant's existing rights under any Offering that is in progress may be adversely affected thereby, and (ii) subject to Section 19, in the event that the Board or the Committee desires to retain the favorable tax treatment under Sections 421 and 423 of the Code, no such amendment of the Plan shall increase the number of Shares that were reserved for issuance hereunder unless the Company's shareholders approve such an increase.

19. Changes in Capitalization. In the event of reorganization, recapitalization, stock split, stock dividend, combination of Shares, merger, consolidation, offerings of rights, or any other change in the capital structure of the Company, the Board or the Committee may make such adjustment, if any, as it may deem appropriate in the number, kind, and the price of the

Shares that are available for purchase under the Plan, and in the number of Shares that a Participant is entitled to purchase.

20. Share Ownership. Notwithstanding anything herein to the contrary, no Participant shall be permitted to subscribe for any Shares under the Plan if such Participant, immediately after such subscription, owns Shares that account for (including all Shares that may be purchased under outstanding subscriptions under the Plan) five percent or more of the total combined voting power or value of all classes of Shares of the Company or its Subsidiaries. For the foregoing purposes the rules of Section 424(d) of the Code shall apply in determining share ownership. In addition, no Participant shall be allowed to subscribe for any Shares under the Plan that permit such Participant's rights to purchase Shares under all "employee stock purchase plans" of the Company and its Subsidiaries to accrue at a rate that exceeds \$25,000 of the Fair Market Value of such Shares for each calendar year in which such right to subscribe is outstanding at any time. For purposes of this Section 20, the Fair Market Value of Shares shall be determined in each case as of the Commencement Date of the Offering in which such Shares are purchased. The Company shall refund as soon as practicable any contributions by a Participant that exceed the limit set forth in the preceding sentence.

21. Administration. The Plan shall be administered by the Board or the Committee, which may engage the ESPP Broker to assist in the administration of the Plan. The Board or the Committee shall be vested with full authority to make, administer, and interpret such rules and regulations as it deems necessary to administer the Plan, and any determination, decision, or action of the Board or the Committee in connection with the construction, interpretation, administration, or application of the Plan shall be final, conclusive, and binding upon all Participants and any and all persons that claim rights or interests under or through a Participant. The Board may delegate any or all of its authority hereunder to a committee of the Board, as it may designate.

22. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, that is designated by the Company from time to time for the receipt thereof, and, in the absence of such a designation, the Company's Human Resources Department, Attention: Stock Administration shall be authorized to receive such notices.

23. Termination of the Plan.

23.1 This Plan shall terminate at the earliest of the following:

(a) The date of the filing of a Statement of Intent to Dissolve by the Company or the effective date of a merger or consolidation wherein the Company is not to be the surviving corporation, which merger or consolidation is not between or among corporations related to the Company. Prior to the occurrence of either of such events, on such date as the Company may determine, the Company may permit a Participant to carryout the right to purchase, and to purchase at the purchase price set forth in Section 5, the number of full Shares (not any fractional Shares) that may be purchased with that Participant's Account. In such an event, the Company shall refund to the Participant the funds that remain in the Participant's Account after such purchase;

(b) The date the Board acts to terminate the Plan in accordance with Section 18 above; or

(c) The date when all of the Shares that were reserved for issuance hereunder have been purchased.

23.2 Upon termination of the Plan, the Company shall refund to each Participant the balance of each Participant's Account.

24. Limitations on Sale of Stock Purchased Under the Plan. The Plan is intended to provide Shares for investment and not for resale. The Company does not, however, intend to restrict or influence the conduct of any employee's affairs. An employee, therefore, may sell Shares that are purchased under the Plan at any time, subject to compliance with any applicable federal or state securities laws. **THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES.**

25. Governmental Regulation. The Company's obligation to sell and deliver Shares under this Plan is subject to any governmental approval that is required in connection with the authorization, issuance, or sale of such Shares.

26. No Employment Rights. The Plan does not, directly or indirectly, create any right for the benefit of any employee or class of employees to purchase any Shares under the Plan, or create in any employee or class of employees any right with respect to continuation of employment by the Company, and it shall not be deemed to interfere in any way with the Company's right to terminate, or otherwise modify, an employee's employment at any time.

27. Governing Law. The law of the state of Washington shall govern all matters that relate to this Plan except to the extent it is superseded by the laws of the United States.

This Fourth Amendment to Office Lease ("Amendment") is made and entered into as of the 31st day of October, 1997 (the "Effective Date") by and between FIRST & UTAH STREET ASSOCIATES, L.P., a Washington limited partnership ("Landlord"), and STARBUCKS CORPORATION, dba Starbucks Coffee Company, a Washington corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into an Office Lease dated July 1, 1993 for certain premises (the "Premises") containing approximately 60,000 square feet of office space located on the 8th floor of that certain building (the "Building") commonly known as "Starbucks Center" (formerly "SODO Center"), located at 2401 Utah Avenue South in the City of Seattle, King County, Washington. The Office Lease was amended by that Amendment to Lease dated September 10, 1993, that Second Amendment to Office Lease dated January 1, 1995 (the "Second Amendment"), and that Third Amendment to Office Lease date September 30, 1995 (the "Third Amendment") (the Office Lease, the Amendment to Lease, the Second Amendment and the Third Amendment are collectively referred to herein as the "Lease"). The Building and the Premises are more particularly described in the Lease.

B. Landlord and Tenant have agreed to amend the Lease on the terms and conditions set forth herein.

AGREEMENT:

For and in consideration of the mutual covenants and agreements set forth in this Amendment, Landlord and Tenant hereby agree to amend the Lease as follows:

1. Definitions. Except as otherwise defined in this Amendment, all capitalized terms shall have the same meanings assigned to them in the Lease. Unless otherwise specified, the "Lease" shall mean the Lease, as modified by this Amendment.
2. Life Safety Systems. Notwithstanding the terms of Exhibit I to the Second Amendment, all costs and expenses incurred by Landlord for the installation, maintenance and upgrade of Life Safety Systems for the Building, including but not limited to the fire control center and associated hardware for the Building fire alarm system, shall be deemed to be Landlord's Work to be provided at Landlord's sole cost and expense; provided, however, that those costs and expenses incurred by Landlord for the installation of fire alarm systems running from detection points in the Premises to the fire control center, including alarm devices, speakers, and associated wiring, shall be deemed to be Tenant Improvement; and provided further that any safety systems

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other than fire alarm systems requested by Tenant and approved by Landlord (which approval shall not be unreasonably withheld) shall be treated as Building Systems.

3. Electrical and HVAC Expenses. Landlord and Tenant acknowledge and confirm that all costs and expenses incurred by Landlord for the installation, maintenance and upgrade of electrical and HVAC systems serving the Premises shall be treated as Building Systems as set forth in Exhibit I to the Second Amendment. Furthermore, the last sentence of Section 8.5 of the Second Amendment shall be deleted in its entirety and replaced with the following: "The entire cost of the additional transformers shall be paid by Landlord, at its election either at its own expense or with loan proceeds from the Systems Note, and shall be amortized as Building Systems" and paid for as Building Systems Additional Rent.

4. Lobby Improvements. Notwithstanding the terms of Exhibit I of the Second Amendment, all costs and expenses incurred by Landlord in excess of \$100,000 and up to a total of \$750,808 for improvements to the Building lobby and painting the exterior of the Building (consisting of \$607,171.00 in making improvements to the Building lobby and \$143,637.00 in painting the exterior of the Building), shall be classified as Building Systems instead of Building Amenities as provided in Exhibit I of the Second Amendment. Any costs and expenses incurred by Landlord for improvements to the Building lobby in excess of \$607,171.00 shall remain classified as Building Amenities. The classification of subsequent exterior painting as a Building System or Building Amenity shall be determined in accordance with the terms of the Second Amendment. Furthermore, notwithstanding the terms of Section 4.3 of the Second Amendment, there shall be no construction supervision fee payable to Landlord with respect to the Hard Costs of constructing improvements to the Building lobby included in the calculation of Building Systems Additional Rent.

5. Building Personnel. Landlord agrees to provide and maintain Building services and staffing in accordance with standards commensurate with a well-maintained office and/or mixed use buildings in the greater Seattle, Washington area. If Tenant desires to cause Landlord to provide services above these maintenance standards, then Tenant shall have the right to require Landlord to hire additional Building employees to be employed by Landlord. If such additional employees are hired, then in addition to the excluded items set forth in Section 4.7.3 of the Second Amendment, the limitation on increases in Operating Expenses payable by Tenant shall not apply to expenses incurred by Landlord for the

wages or salaries of such additional Building employees employed by Landlord at Tenant's request and approved by Tenant.

6. Doppio Bar.

(a) The allocation of \$47,500 to Building Systems in connection with the proposed free- standing Retail Store described in Exhibit I to the Second Amendment is hereby deleted. In lieu thereof, such amount has been allocated as follows: (i) \$6,717.00 expended by Landlord during "Phase 2" of the Building Improvements shall be classified as Building Systems, and (ii) \$40,783.00 expended by Landlord on Tenant's "Doppio Bar" in the Building lobby during

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"Phase 3" of the Building Improvements shall be classified as Building Systems. Tenant shall retain, however, the right, at its sole cost and expense and upon payment of an agreed rental rate for the land, to construct the free- standing Retail Store in the Building Parking Lot in accordance with Article 9 of the Second Amendment.

(b) In the event Tenant exercises its earlier to termination right under the separate lease between Landlord and Tenant for Tenant's "Doppio Bar" in the Building lobby dated May 19, 1997 (the "Doppio Bar Lease") effective prior to December 6, 2000 [the expiration date of the initial term of Landlord's lease with Sears Roebuck & Co. (the "Sears Lease")], Tenant agrees to pay to Landlord an amount equal to that amount which would have been payable to Landlord under the Sears Lease had Sears not relinquished 615 square feet to accommodate the Doppio Bar, to be determined based on the lease rate per square foot under the Sears Lease for a period commencing on the date of termination of the Doppio Bar Lease and ending on the date of expiration of the initial term of the Sears Lease.

7. Fifth Floor Expansion.

(a) Landlord and Tenant agree that effective on the date the Initial 5th Floor Space (defined below) is delivered to Tenant, the Premises shall be expanded to include that certain space in the Building located on the 5th Floor as shown and designated as "Phase 1" on that certain diagram attached hereto and incorporated herein by this reference as Exhibit A, containing approximately 10,275 square feet (the "Initial 5th Floor Space").

(b) Under a separate letter agreement between Landlord and Tenant, Tenant has agreed to pay Landlord's standard storage rental rate for the Initial 5th Floor Space of \$.35 per square foot per month, fully serviced, from September 1, 1997 through the Effective Date.

(c) In addition to the foregoing, Tenant shall have the right and option to expand the Premises into that portion of the 5th Floor containing approximately 18,000 square feet, currently occupied by Caryco Magnets (the "5th Floor Expansion Space"). The 5th Floor Expansion Space is more particularly shown and designated on Exhibit A. At any time between September 1, 1999 and December 31, 1999, Landlord shall, by written notice to Tenant, offer to lease the 5th Floor Expansion Space to Tenant on the same terms and conditions as Tenant is then leasing the Initial 5th Floor Space (except as set forth in subparagraph (h) below with respect to rent). Tenant shall have thirty (30) days following receipt of Landlord's notice within which to agree to accept Landlord's offer. If Tenant accepts Landlord's offer, the Lease shall take effect with respect to the 5th Floor Expansion Space on June 1, 2000. If Tenant fails to accept Landlord's offer, Tenant shall have no further rights with respect to the 5th Floor Expansion Space.

(d) If Tenant accepts Landlord's offer to lease the 5th Floor Expansion Space upon the expiration of the Caryco Magnets lease but notifies Landlord that Tenant is not prepared to immediately take occupancy of the 5th Floor Expansion Space, Landlord agrees to use its best efforts, subject to approval by Tenant, to renew the Caryco Magnets lease or, alternatively, find a

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new tenant for the 5th Floor Expansion Space who will continue to lease the 5th Floor Expansion Space on a year- to- year basis, for a longer term subject to approval by Tenant. In such event, Tenant shall have the same opportunity to lease the 5th Floor Expansion Space upon the expiration of the subsequent lease as set forth in subparagraph (c) above.

(e) In the event Tenant elects to accept Landlord's offer to lease the 5th Floor Expansion Space as set forth in subparagraph (c) above, Landlord agrees to use its best efforts to identify an alternative tenant for the westerly 9,000 square foot portion of the 5th Floor Expansion Space on terms acceptable to Landlord. In that event, Tenant shall have the opportunity to lease such westerly portion of the 5th Floor Expansion Space upon expiration of such lease on the terms and using the procedures set forth in subparagraph (c) above. During the term of the lease with the alternative tenant, Tenant shall not be relieved of liability under the Lease with respect to that portion of the Premises covered by such lease.

(f) Tenant shall have the right to sublease all or any portion of the 5th Floor Expansion Space with Landlord's prior written consent, which consent shall not be unreasonably withheld. Furthermore, at Tenant's election, Tenant shall have the right

to tender to Landlord and cause Landlord to accept as a direct lease between the Landlord and Tenant's third party subtenant, any sublease which contains Landlord's standard terms and conditions for storage leases. During the term of such sublease, Tenant shall not be relieved of liability under the Lease with respect to the subleased premises. Upon the earlier to occur of (i) the expiration or earlier termination of such sublease, or (ii) Tenant's taking occupancy of that portion of the 5th Floor Expansion Space to which the sublease applies, the terms and conditions of the Lease with respect to such subleased space shall revert to the terms and conditions applicable with respect to the Initial 5th Floor Space.

(g) The provisions in the Lease governing the payment of the cost of Tenant Improvements shall apply to the Initial 5th Floor Space and the 5th Floor Expansion Space. There shall be no other conditions to or limitations upon Tenant's right to expand into the Initial 5th Floor Space and the 5th Floor Expansion Space except as set forth in this Amendment; provided Tenant shall have no other rights to lease any portion of the 5th Floor beyond the Initial 5th Floor Space and the 5th Floor Expansion Space unless Landlord and Tenant otherwise agree in writing. All of the other terms and conditions of the Lease, including but not limited to provisions for the payment of allowances for Tenant Improvements and related architectural and engineering costs, shall be applicable to the Initial 5th Floor Space and any 5th Floor Expansion Space added to the Premises; provided, however, that Landlord's reimbursement obligations with respect to architectural and engineering costs incurred by Tenant for the Initial 5th Floor Space shall be limited to the lesser of (i) twenty percent (20%) of the actual architectural and engineering costs incurred by Tenant, or (ii) \$20,000.

(h) Base Floor Rent for the Initial 5th Floor Space and any Finished 5th Floor Expansion Space added to the Premises shall equal \$6.75 per square foot per annum through the end of the fifth (5th) Lease Year. 5th Floor Expansion Space shall be deemed to be "Finished" upon completion of Tenant Improvements by Tenant. Base Floor Rent for any 5th Floor Expansion

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Space added to the Premises which is not Finished shall equal Landlord's standard monthly rates for storage leases, fully serviced, commencing on June 1, 2000 and continuing until such space is Finished. Commencing on the first day of the sixth (6th) Lease Year and continuing throughout the remainder of the term of the Lease, Base Floor Rent for the Initial 5th Floor Space and any Finished 5th Floor Expansion Space added to the Premises shall increase by the same incremental amount per square foot per annum as the increase in Base Floor Rent for Floors 6 and 7, but shall not be subject to rent adjustments as provided in Section 4.6 of the Second Amendment. For example, if at the end of the fifth (5th) Lease Year, Base Floor Rent for the 6th Floor increases by \$1.00 per square foot per annum based on the terms and provisions of the Lease, Base Floor Rent for the 5th Floor Space shall also increase by \$1.00 per square foot per annum. The Operating Expense Base for all space leased by Tenant on the 5th Floor shall be the actual Operating Expenses allocable to the Premises for calendar year 1998, determined on a cost per square foot basis.

8. Signage.

(a) Landlord and Tenant agree that all of Tenant's identity signage installed by Landlord pursuant to Exhibit I of the Second Amendment as Building Amenities (the "Tenant Signage") are and shall remain the personal property of Landlord. Upon expiration or earlier termination of the Lease, Tenant shall have the right, but not the obligation, to purchase the Tenant Signage from Landlord by paying to Landlord an amount equal to the unamortized balance of the total costs and expenses incurred by Landlord in the purchase and installation of the Tenant Signage, including the cost of removing Landlord's existing signage in connection therewith, amortized on a straight- line basis over a term of ten (10) years at the Amortization Rate.

(b) Tenant, at Tenant's sole cost and expense, shall be

responsible for the repair and maintenance of the tower icon (the Starbucks' icon on the Main Building tower) and the Tenant Signage in the Building lobby. Landlord shall be responsible for maintaining all other Building identity signs as well as directional signage on the light poles in the Building parking lot, the cost of which shall be a Building Operating Expense. Landlord shall, however, be responsible for providing all necessary electricity for the Tenant Signage and shall insure the Tenant Signage in accordance with the insurance requirements under the Lease, such costs and expenses to be included as part of Operating Expenses.

9. Common Area Maintenance. Landlord shall continue to be responsible for the maintenance and repair of the Building lobby, front parking lot and exterior common areas, facilities and landscaping for the Building, in good order and condition consistent with the standards set forth in Section 5 of this Amendment. Maintenance standards shall include, but not be limited to, the specifications for exterior maintenance more particularly set forth on Exhibit B attached hereto and incorporated herein by this reference. Notwithstanding the foregoing, Tenant shall be directly responsible for the payment of the costs incurred by Landlord in maintaining and repairing the wood doors in the main Building lobby.

10. Continuing Effect. Except as amended by this Amendment, the Lease shall remain in full force and effect. To the extent of any conflict between this Amendment and the Lease, the terms of this Amendment shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment the day and year first above written.

LANDLORD:
FIRST AND UTAH STREET ASSOCIATES, L.P.,
a Washington limited partnership
By: SODO CENTER, INC., its General
Partner

By /s/ FRANK P. STAGEN

Frank P. Stagen, Vice- President

TENANT:

STARBUCKS CORPORATION, a Washington
corporation

By /s/ HOWARD WOLLNER

Its Vice President, Administration

STATE OF WASHINGTON)

)ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that Frank P. Stagen, to me known to be the Vice- President of SODO CENTER, INC., which is the General Partner of FIRST AND UTAH STREET ASSOCIATES, L.P., a Washington limited partnership, signed this instrument and acknowledged said instrument to be the free and voluntary act and deed of said corporation on behalf of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed on November 6, 1997.

/s/ LINDA PIERATT
(Print name) Linda Pieratt
Notary Public in and for
the State of Washington
My appointment expires 8-19-00

STATE OF WASHINGTON)

)ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that HOWARD WOLLNER signed this instrument, on oath stated that he/she was authorized to execute the instrument as the _____ of STARBUCKS CORPORATION and acknowledged it to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on November 6, 1997.

/s/ JULIENE FERGUSON WACHHALS
(Print Name) Juliene Ferguson Wachhals
Notary Public in and for the
State of Washington
My appointment expires 5-5-98

EXHIBIT B

LANDSCAPE MAINTENANCE STANDARDS

All landscaping will appear well maintained, manicured and healthy. Grounds and landscaping services will be provided based upon a landscaping budget prepared by Landlord and approved by Tenant. Grounds including trees, shrubs, planting beds and turf are to be maintained on a regular basis. The grounds shall be watered, maintained and fertilized to keep a healthy appearance at all times. Applications for proper control of weeds, insects, rodents and other pests are to be utilized. Seasonal changes to flower beds and planting areas are to be managed on a regular basis. The grounds are to be clean of all debris resulting from this maintenance. A preventive landscape maintenance program is also required and should cover all aspects of landscape. Walkways and patio areas will be swept and blown clear of debris on a regular schedule. Any chemicals used in connection with grounds and landscaping maintenance shall be in accordance with local, state and federal regulations. Tenant shall be given proper notification of the use of chemicals prior to their use.

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FIFTH AMENDMENT TO OFFICE LEASE

This Fifth Amendment to Office Lease ("Amendment") is made and entered into as of the 5th day of March, 1998 by and between FIRST & UTAH STREET ASSOCIATES, L.P., a Washington limited partnership ("Landlord"), and STARBUCKS CORPORATION dba Starbucks Coffee Company, a Washington corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into an Office Lease dated July 1, 1993 for certain premises (the "Premises") containing approximately 60,000 square feet of office space located on the 8th floor of that certain building (the "Building") commonly known as "Starbucks Center" (formerly "SODO Center"), located at 2401 Utah Avenue South in the City of Seattle, King County, Washington. The Office Lease was amended by that Amendment to Lease dated September 10, 1993, that Second Amendment to Office Lease dated January 1, 1995 (the "Second Amendment"), that Third Amendment to Office Lease dated September 30, 1995 (the "Third Amendment"), and that Fourth Amendment to Office Lease dated October 31, 1997 (the "Fourth Amendment") (the Office Lease, the Amendment to Lease, the Second Amendment, the Third Amendment, and the Fourth Amendment being collectively referred to herein as the "Lease"). The Building and the Premises are more particularly described in the Lease.

B. The Lease includes provisions for the expansion of the Premises by Tenant into the entire 6th Floor of the Building. Landlord and Tenant have agreed to amend the Lease regarding such expansion rights, but only as it affects the space described below as the "New 6th Floor Expansion Space", all on the terms and conditions set forth herein.

AGREEMENT:

For and in consideration of the mutual covenants and agreements set forth in this Amendment, Landlord and Tenant hereby agree to amend the Lease as follows:

1. Definitions. Except as otherwise defined in this Amendment, all capitalized terms shall have the same meanings assigned to them in the Lease. Unless otherwise specified, the "Lease" shall mean the Lease, as modified by this Amendment.
2. 6th Floor Expansion. Landlord and Tenant agree that the Premises shall be expanded to include that certain space in the Building located on the 6th Floor and shown and designated on Exhibit A attached hereto and incorporated herein by this reference, containing approximately 40,000 square feet (the "New 6th Floor Expansion Space").
3. Delivery of Possession and Build Out. Landlord shall deliver possession of the New 6th Floor Expansion Space to Tenant on April 1, 1998 (the "Possession Date"). As soon as reasonably possible following the Possession Date, Tenant shall commence construction of the

Tenant Improvements for the initial portion of the New 6th Floor Expansion Space which Tenant intends to build out for office space (the "Initial Build Out"). Except for the payment of Rent during the periods described in Paragraph 4 below, all of the terms and conditions of the Lease, including but not limited to provisions for the payment of allowances for Tenant Improvements and related architectural and engineering costs, shall be applicable to the New 6th Floor Expansion Space.

4. Rent

(a) Initial Construction Period. Commencing on the Possession Date and continuing until the date which is two (2) days following completion of the Initial Build Out, Tenant shall pay to Landlord Base Floor Rent for the entire New 6th Floor Expansion Space at the rate of \$9,900 per month, fully serviced.

(b) Completion of Initial Build Out. Base Floor Rent for any Finished New 6th Floor Expansion Space shall be due and payable at the rate for office space on the 6th Floor under the Lease; provided, however, that Tenant shall retain the right to designate up to fifty percent (50%) of any Finished New 6th Floor Expansion Space as Space Pockets for up to nine (9) months, as set forth in the Lease. New 6th Floor Expansion Space shall be deemed to be "Finished" two (2) days following the earlier of (i) completion of the Tenant Improvements for such space, or (ii) the occupancy of such space by Tenant.

(c) New 6th Floor Expansion Space which is not Finished.

Commencing on January 1, 1999 and continuing until the remainder of the New 6th Floor Expansion Space is Finished, Tenant shall pay to Landlord Base Floor Rent with respect to any portion of the New 6th Floor Expansion Space which is not Finished at the rate of \$.45 per square foot per month, fully serviced.

5. Moving Expenses. Tenant agrees to pay the costs incurred by Landlord in relocating tenants from the New 6th Floor Expansion Space, provided that (a) such tenants are being relocated at Tenant's request in order to deliver the subject space to Tenant prior to April 1, 1998; (b) such tenants are required to be relocated prior to the expiration of their lease; and (c) such tenants do not occupy their premises under periodic tenancies from month to month. If any tenant which is relocated pursuant to this Amendment subsequently enters into a new lease or a lease renewal or extension agreement with respect to its new space, Landlord shall reimburse Tenant for all moving costs paid by Tenant for the relocation of that tenant. Likewise, in the event any fencing paid for by Tenant pursuant to this Paragraph 5 in connection with relocating tenants is reused by Landlord for any other purpose, Landlord shall reimburse Tenant for fifty percent (50%) of THE original cost of such reused fencing.

6. Continuing Effect. Except as amended by this Amendment, the Lease shall remain in full force and effect. To the extent of any conflict between this Amendment and the Lease, the terms of this Amendment shall control.

IN WITNESS WHEREOF, Landlords and Tenant have executed this Amendment the day and year first above written.

LANDLORD:
FIRST AND UTAH STREET ASSOCIATES, L.P.
a Washington limited partnership
By: SODO CENTER INC., its General Partner

By /s/ KEVIN DANIELS

Kevin Daniels, Vice President

TENANT:

STARBUCKS CORPORATION, a Washington
corporation
By /s/ HOWARD L. WOLLNER

Its Vice President Administration

STATE OF WASHINGTON)

)ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that Kevin Daniels, to me known to be the Vice- President of SODO CENTER. INC., which is the General Partner of FIRST AND UTAH STREET ASSOCIATES, L.P., a Washington limited partnership, signed this instrument and acknowledged said instrument to be the free and voluntary act and deed of said corporation on behalf of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed on March 5, 1998.

[SEAL]

/s/ LINDA PIERATT

(Print name) Linda Pieratt

Notary Public in and for the
State of Washington
My appointment expires 8- 19- 00

STATE OF WASHINGTON)

)ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that HOWARD WOLLNER signed this instrument, on oath stated that he/she was authorized to execute the instrument as the V.P, administration of STARBUCKS CORPORATION and acknowledged it to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on March 6,1998.

[SEAL]

/s/ JULIENE WACHHALS

(Print Name) Juliene Wachhals

Notary Public in and for the
State of Washington
My appointment expires 5- 5- 98

- 4-

EXHIBIT A
NEW 6TH FLOOR EXPANSION SPACE
[GRAPHICS OF FLOOR LAYOUT]

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SIXTH AMENDMENT TO OFFICE LEASE

This Sixth Amendment to Office Lease ("Amendment") is made and entered into as of the 4th day of January, 1999 by and between FIRST & UTAH STREET ASSOCIATES, L.P., a Washington limited partnership ("Landlord"), and

STARBUCKS CORPORATION, dba Starbucks Coffee Company, a Washington corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into an Office Lease dated July 1, 1993 for certain premises (the "Premises") containing approximately 60,000 square feet of office space located on the 8th floor of that certain building (the "Building") commonly known as "Starbucks Center" (formerly "SODO Center"), located at 2401 Utah Avenue South in the City of Seattle, King County, Washington. The Office Lease was amended by that Amendment to Lease dated September 10, 1993, that Second Amendment to Office Lease dated January 1, 1995 (the "Second Amendment"), that Third Amendment to Office Lease dated September 30, 1995 (the "Third Amendment"), that Fourth Amendment to Office Lease dated October 31, 1997 (the "Fourth Amendment"), and that Fifth Amendment to Office Lease dated March 5, 1998 (the "Fifth Amendment") (the Office Lease, the Amendment to Lease, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment being collectively referred to herein as the "Lease"). The Building and the Premises are more particularly described in the Lease.

B. The Lease includes provisions for the expansion of the Premises by Tenant into certain Expansion Space on the 6th Floor of the Building. Landlord and Tenant have agreed to amend the Lease to provide for Tenant's expansion into a portion of the 6th Floor Expansion Space on the terms and conditions set forth herein.

C. Landlord and Tenant have further agreed to amend certain provisions of the Lease governing the calculation of reimbursable Operating Expenses payable by Tenant, and to amend certain provisions concerning architectural and engineering expenses incurred in completing Tenant Work which are payable by Landlord.

AGREEMENT:

For and in consideration of the mutual covenants and agreements set forth in this Amendment, Landlord and Tenant hereby agree to amend the Lease as follows:

1. Definitions. Except as otherwise defined in this Amendment, all capitalized terms shall have the same meanings assigned to them in the Lease. Unless otherwise specified, the "Lease" shall mean the Lease, as modified by this Amendment.

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2. 6th Floor Expansion. Landlord and Tenant agree that upon delivery of the space by Landlord to Tenant, the Premises shall be expanded to include that certain space in the Building located on the 6th Floor, containing approximately 19,610 square feet, which space is currently occupied by Direct Services, Inc. ("Direct Services") pursuant to a Lease dated August 5, 1993 between Landlord and Direct Services, as amended (the "Direct Services Lease"). This space is shown and designated on the floor plan attached hereto as Exhibit A and incorporated herein by this reference (the "Direct Services Expansion Space").

3. Early Termination of Direct Services Lease; Compensation for Lost Rent. Landlord agrees to use its best efforts to provide Tenant, on or before February 1, 1999, with an amendment to the Direct Services Lease or other written agreement satisfactory to Tenant which provides for the termination of the Direct Services Lease by not later than September 7, 1999 (the "Direct Services Amendment"). If the Direct Services Amendment is provided to Tenant by February 1, 1999, then commencing on the date of early termination of the Direct Services Lease and continuing through the earlier to occur of (i) the date on which Landlord commences construction of Tenant Improvements for the Direct Services Expansion Space (the "Begin Date") or (ii) September 7, 2000 (the current expiration date of the Direct Services Lease), Tenant shall pay to Landlord the sum of \$5,294.70 per month, together with its pro rata share of operating expenses (the amount which would have been payable by Direct Services during the same period had the Direct Services Lease not been terminated). If the Direct Services Amendment is not provided to Tenant by February 1, 1999 but is provided to Tenant after that date, Tenant shall have the right, but not the obligation, to accept the Direct Services Expansion Space under the terms of this Amendment. If Tenant elects not to accept the Direct Services Expansion Space on the terms of this Amendment, the Direct Services Expansion Space shall be treated in the same manner as other 6th Floor Expansion Space and Tenant's rights thereunder shall be governed by the terms of the Lease with respect to the 6th Floor Expansion Space.

4. Delivery of Possession and Build Out. Provided Landlord has obtained the termination of the Direct Services Lease as provided in Paragraph 3 above, Landlord shall deliver possession of the Direct Services Expansion Space to Tenant and Tenant will take possession thereof no later than September 8, 1999. Upon delivery of the Direct Services Expansion Space to Tenant, all of the terms and conditions of the Lease, including but not limited to provisions for the payment of allowances for Tenant Improvements and related architectural and engineering costs, shall be applicable to the Direct Services Expansion Space. In the event Direct Services fails to vacate the Direct Services Expansion Space by the

expiration of its lease term as provided in the amendment to the Direct Services Lease, Landlord shall use its best efforts to enforce the terms of the Direct Services Lease and recover possession of the Direct Services Expansion Space so as to deliver possession of the Direct Services Expansion Space as provided herein. So long as Landlord employs such best efforts to recover the Direct Services Expansion Space, Landlord shall have no liability to Tenant for damages as a result of Direct Services' failure to timely vacate the Direct Services Expansion Space.

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5. Rent. Commencing on the date which is two (2) days following the completion of the Tenant Improvements for the Direct Services Expansion Space (the "Finish Date"), Base Floor Rent and additional rent for the Direct Services Expansion Space shall be payable at the rate for office space on the 6th Floor under the Lease. No Base Floor Rent or additional rent shall accrue or be payable from the Begin Date through the Finish Date.

6. Operating Expenses.

(a) Liability Insurance. Landlord and Tenant agree that

"Operating Expenses" include premiums paid by Landlord for commercial general liability insurance maintained pursuant to the terms of Section 18(d) of the original Office Lease. Landlord and Tenant further agree that increases in the premiums for Landlord's liability insurance shall be excluded from the cap on Operating Expenses established under Section 4.7.3 of the Second Amendment.

(b) Fabric Recycling. Landlord and Tenant further agree that so long as Olympic West is a tenant in the Building and not paying directly for such disposal, expenses incurred by Landlord for the disposal of fabric waste from Olympic West's operations may be included as part of the "trash removal" line item of Operating Expenses under the Lease.

(c) Office Telephone. Landlord and Tenant further agree that local service telephone charges incurred at Landlord's building management office may be included within the "utilities- other" line item of Operating Expenses under the Lease, and not as part of Landlord's management fee.

(d) No Change in Operating Expense Base. The Operating Expense Base shall not be adjusted as a result of this Amendment.

7. Architectural and Engineering Costs. Paragraph K of Exhibit E to the original Office Lease provides that Landlord shall pay, as part of Landlord's Work, twenty percent (20%) of all Architectural Fees and twenty percent (20%) of all fees for structural, mechanical and electrical engineering services incurred in completing Tenant's Work ("Tenant's A&E Costs"). Landlord and Tenant agree that Landlord's obligation to reimburse Tenant for twenty percent (20%) of Tenant's A&E Costs incurred after October 1, 1997 shall not exceed One Dollar (\$1.00) per square foot with respect to any Expansion Space. For purposes of this reimbursement obligation, it is understood and agreed that Tenant's A&E Costs cover only working and permit drawings. Programmatic and space planning services (such as master planning) are Tenant's sole responsibility. Promptly following mutual execution of this Amendment, Landlord shall pay to Tenant an amount equal to \$68,424.76, representing accrued but unpaid Tenant's A&E Cost reimbursements owed by Landlord to Tenant through the date of this Amendment.

- 3-

8. Continuing Effect. Except as amended by this Amendment, the Lease shall remain in full force and effect. To the extent of any conflict between this Amendment and the Lease, the terms of this Amendment shall control.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment the day and year first above written.

LANDLORD:
FIRST AND UTAH STREET ASSOCIATES, L.P.,
a Washington limited partnership

By: SODO CENTER, INC., its General Partner

By /s/ KEVIN DANIELS

Kevin Daniels
Its: Vice President

TENANT:

STARBUCKS CORPORATION, a Washington
corporation
By /s/ HOWARD WOLLNER

Its Sr. Vice President, Administration

- 4-

STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that Kevin Daniels, to me known to be the Vice President of SODO CENTER, INC., which is the General Partner of FIRST AND UTAH STREET ASSOCIATES, L.P., a Washington limited partnership, signed this instrument and acknowledged said instrument to be the free and voluntary act and deed of said corporation on behalf of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed on January 15, 1999.

[NOTARY PUBLIC SEAL]

/s/ LINDA PIERATT

(Print name) Linda Pieratt

Notary Public in and for the
State of Washington
My appointment expires 8- 19- 00

STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that HOWARD L. WOLLNER signed this instrument, on oath stated that he was authorized to execute the instrument as the Senior Vice President, Administration of STARBUCKS CORPORATION and acknowledged it to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned in the instrument.

WITNESS my hand and official seal hereto affixed on January 18, 1999.

[NOTARY PUBLIC SEAL]

/s/ AIMEE MAHAN

(Print name) Aimee Mahan

Notary Public in and for the
State of Washington

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EXHIBIT A
Direct Services Expansion
space
Floor Plan
[GRAPHICS OF FLOOR LAYOUT]

**DEVELOPMENT AGREEMENT ADDENDUM
REGARDING SPECIALTY SANDWICH PROGRAM**

THIS DEVELOPMENT AGREEMENT ADDENDUM (THE "ADDENDUM") is entered into effective as of the 3rd day of January, 1998 (the "Sandwich Program Effective Date"), by and between Starbucks Corporation ("Starbucks") and Host International, Inc. ("Licensee").

RECITALS:

WHEREAS, Starbucks and Licensee are parties to that certain development agreement dated March 1994, as amended (the "Development Agreement"), which includes as an exhibit a form of Starbucks System Licensing Agreement (the "License Agreement"); and

WHEREAS, the parties now desire to amend the Development Agreement to reflect the parties' agreement and understanding concerning a "Starbucks Specialty Sandwich Program" as discussed herein;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **APPROVAL OF THE SPECIALTY SANDWICH PROGRAM.** Licensee has developed a specialty sandwich program to be offered at certain designated Licensed Locations (the "Specialty Sandwich Program"). Starbucks hereby approves such Specialty Sandwich Program subject to the terms of this Addendum. Licensee shall select the Licensed Locations where Licensee desires to implement the Starbucks Specialty Sandwich Program, but Starbucks retains the right to approve the Licensed Locations which will offer the Specialty Sandwich Program, and to approve the sandwich offerings of such Specialty Sandwich Program from time to time, such approval not to be unreasonably withheld, conditioned or delayed.

2. **ROYALTY TO STARBUCKS.** Starbucks and Licensee hereby agree that the following shall apply to any Licensed Location where Starbucks has authorized and Host has implemented the Specialty Sandwich Program:

a. **PRIOR TO THE SANDWICH PROGRAM EFFECTIVE DATE** (i.e., prior to 1/3/98, which is the first day of Licensee's 1998 fiscal year), Licensee shall pay Starbucks the Royalty defined in Section 2.2 of the License Agreement.

b. **AS OF THE SANDWICH PROGRAM EFFECTIVE DATE**, Section 2.2 of the License Agreement shall be deemed to have been modified to provide for the following special categories of Royalty for Licensed Locations which offer the Specialty Sandwich Program, as follows:

i. Licensee shall pay Starbucks a Royalty of two and one-half percent (2.5%) of all Gross Revenues derived from the sale of the aforementioned specialty sandwiches.

ii. Licensee shall also pay a Royalty of two and one-half percent (2.5%) of all Gross Revenues derived from the sale of bottled beverages from those Licensed Locations where Licensee is offering the Specialty Sandwich Program.

iii. The sales of "pastries" (which is deemed to refer to all bakery items, including but not limited to danish, bagels, scones, etc ...) shall be excluded from the definition of Gross Revenues under Section 2.2 of the License Agreement and therefore be exempt from payment of the Royalty. Notwithstanding the foregoing, however, the parties agree that Starbucks' proprietary biscotti shall be subject to a Royalty of five percent (5%) of such Gross Revenues derived from the sale of such proprietary biscotti.

c. HARTSFIELD ATLANTA INTERNATIONAL AIRPORT AND CHICAGO O'HARE

INTERNATIONAL AIRPORT. The parties hereby expressly agree that the sales of specialty sandwiches and bottled beverages from Licensee's Hartsfield Atlanta International Airport Licensed Location, as well as Licensee's Chicago O'Hare International Airport Licensed Location, shall be subject to a Royalty, commencing on the Specialty Sandwich Program Effective Date, of two and one-half percent (2.5%) of Gross Revenues from such Specialty Sandwiches and bottled beverages, as discussed above. Prior to the Specialty Sandwich Program Effective Date, however, Licensee shall pay the Royalty to Starbucks in the fashion paid during the previous year (i.e. five percent Royalty on such Gross Revenues at Hartsfield Atlanta International Airport and no Royalty from such sales at Chicago O'Hare International Airport).

3. ENTIRE AGREEMENT. Except as modified hereby, the Development Agreement remains in full force and effect.

HOST INTERNATIONAL, INC.

By: /s/ [Signature Illegible]

Its: Vice President

STARBUCKS CORPORATION

By: /s/ A.B. CRAIG

Its: Sr. V.P. Operations

DEVELOPMENT AGREEMENT ADDENDUM

THIS DEVELOPMENT AGREEMENT ADDENDUM (the "Addendum") is entered into as of March 2, 1998, between Starbucks Corporation ("Starbucks") and Host International, Inc. ("Licensee").

RECITALS:

WHEREAS, Licensee and Starbucks are parties to that certain development agreement dated March 1994, as amended (the "Development Agreement"); and

WHEREAS, the parties have developed numerous airport and other locations pursuant to the Development Agreement; and

WHEREAS, the parties desire to amend the Development Agreement as provided herein;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **PURPOSE.** The parties mutually desire to enter into a test program as discussed herein (the "Test") for the purpose of evaluating the feasibility of offering Starbucks' own line of pastries as they are currently being rolled-out by Starbucks (the "Starbucks Pastries") from certain Licensed Locations (as that term is defined in the Development Agreement).

2. **SELECTION OF TEST SITES.** The parties shall mutually select between three (3) and five (5) of Licensee's Licensed Locations, within Licensee's airport concessions business, where the Test shall occur (the "Test Sites").

3. **PERIOD OF THE TEST.** After the introduction of the Starbucks Pastries has been implemented at all Test Sites, the parties shall evaluate the performance of the Test Sites. The criteria for evaluation shall be mutually established by the parties in a letter to be executed after the date of this Addendum (the "Evaluation Criteria"), and shall include but not be limited to the maintenance or improvement of product quality, increased Gross Revenues from the sale of pastries, decrease in cost of product, maintenance of or increase in the revenue stream flowing to Licensee from its airport operations, etc... The period of the Test shall be as follows:

a. Within sixty days following the implementation of the Starbucks Pastries at all Test Sites, the parties shall jointly review the results, and shall evaluate such results using the Evaluation Criteria.

b. If both parties agree that the data collected from the Test Sites within the first sixty (60) days following the commencement of the Test at all Test Sites is clear, then the parties shall end the Test.

c. If the parties do not both agree that the data collected from the Test Sites within the first sixty (60) days following the commencement of the Test is clear, then the parties shall extend the Test for an additional sixty (60) day period.

d. At the conclusion of the Test, the parties shall review the results of the Test using the Evaluation Criteria. Depending on the results of the Test, the parties may:

(i) introduce the Starbucks Pastries at Licensee's locations which currently offer Licensee's pastries in the same manner as during the Test, and enter into an amendment/agreement providing that Licensee shall pay a Royalty of five percent (5%) of the Gross

Revenues from the sales of such Starbucks Pastries;

(ii) end the Test without further action; or

(iii) negotiate in good faith the modification of the manner of the implementation of the Starbucks Pastries to Licensee's units that offer pastries, and/or modification of the Royalty, so that the Evaluation Criteria may be met

4. ROYALTY. Pursuant to Exhibit A to the Development Agreement (i.e., the form license agreement), the parties agreed that Licensee would pay a Royalty to Starbucks equal to five percent (5%) of the Gross Revenue (the "Royalty" as defined in Exhibit A to the Development Agreement), which currently excludes the sales of pastries. During the Test, the following shall apply:

a. In order to defray Licensee's expenses in implementing the Test, Starbucks hereby waives collection of the Royalty based on Gross Revenues from the sales of Starbucks Pastries from the Test Sites during the Test.

b. At the conclusion of the Test, Section 3(d)(iii) of this Addendum, immediately above, shall apply.

5. ENTIRE AGREEMENT. Except as modified hereby, the Development Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written below their signature.

HOST INTERNATIONAL, INC.
BY: /s/ [Signature Illegible]
ITS: SR. VICE PRESIDENT
STARBUCKS CORPORATION
By: /s/ A. B. CRAIG
Its: SR. V.P. OPERATIONS

DEVELOPMENT AGREEMENT ADDENDUM

THIS DEVELOPMENT AGREEMENT ADDENDUM (the "Addendum") is entered into as of April 16, 1998, between Starbucks Corporation ("Starbucks") and Host International, Inc. ("Licensee").

RECITALS:

WHEREAS, Licensee and Starbucks are parties to that certain development agreement dated March 1994, as amended (the "Development Agreement"); and

WHEREAS, the parties have developed numerous airport and other locations pursuant to the Development Agreement; and

WHEREAS, the parties desire to amend the Development Agreement as provided herein to apply to food and beverage operations and concessions business at turnpikes, tollways and restricted access highways (the "Travel Plaza Locations"); NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Purpose. The parties mutually desire that the Development Agreement, which currently applies to commercial airports, be extended to apply to Travel Plaza Locations.

2. Applicability to Travel Plaza Locations. The parties hereby agree that all references to airports in both the Development Agreement and the Starbucks System License Agreement attached thereto are deemed to have been revised as of the date first above written to apply to Travel Plaza Locations (except as discussed immediately below in Section 3, or by implication).

3. EXCEPTIONS TO APPLICABILITY TO TRAVEL PLAZA LOCATIONS. Notwithstanding any other provision of this Addendum, the parties mutually agree that the following new subsection is hereby added to the end of Subsection 4(b)

(vii) In the event that Licensee has presented to Starbucks a specific site with a Travel Plaza Location, and Starbucks does not accept such site within a Travel Plaza or Starbucks fails to approve such site within thirty (30) days following receipt of notice from Licensee, Licensee shall be free to develop such site using any brand Licensee may elect to use for that site. The failure of Starbucks to approve such initial site, however, shall not in itself authorize Licensee to develop more than the single site which Starbucks failed to authorize; therefore, in the event that a second site is available for development by Licensee at the same Travel Plaza where Starbucks failed to authorize Licensee to develop, Licensee shall nevertheless provide notice to Starbucks requesting authorization to develop such second (but different) site, even though Starbucks

previously declined an initial site at such Travel Plaza Location.

. SITES NOT APPROVED BY STARBUCKS. In the event that Starbucks has not approved a Travel Plaza Location requested by Licensee, Licensee agrees that it shall either operate such site as- a Gourmet Bean or other in- house brand, or may offer a specialty coffee from a concept which offers coffee only as a secondary product (e.g., Ruby Moon which is offered by Cinnabon). Accordingly, Section 4(b) is amended by adding the following at the end thereof:

(vii) In addition to the above exceptions to protected status (which shall also apply to Travel Plazas), the parties agree that in the event Starbucks has not approved a Travel Plaza Location requested by Licensee, Licensee shall either operate its own branded coffee concept (currently "Gourmet Bean" which may offer "Gourmet Bean" trademarked products under the "Gourmet Bean" name), or may offer a specialty coffee from a concept which does not offer coffee as its primary product (e.g., Ruby Moon which is offered by Cinnabon).

5. ENTIRE AGREEMENT. Except as modified hereby, the Development Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written below their signature.

HOST INTERNATIONAL, INC.
BY: /s/ [SIGNATURE ILLEGIBLE]
ITS: SR. VICE PRESIDENT
STARBUCKS COOPERATION
BY: /s/ A.B. CRAIG
ITS: Sr. V.P. Operations

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[Extension Agreement]

DEVELOPMENT AGREEMENT ADDENDUM

THIS DEVELOPMENT AGREEMENT ADDENDUM (the "Addendum") is entered into as of May 1, 1998, between Starbucks Corporation, a Washington corporation ("Starbucks") and Host International, Inc., a Delaware corporation ("Licensee").

RECITALS:

WHEREAS, Licensee and Starbucks are parties to that certain development agreement dated March 1994 (the "Development Agreement"); and

WHEREAS, the parties have developed numerous airport and other locations pursuant to the Development Agreement; and

WHEREAS, the ownership rights in and to the trademarks, trade names, service marks, logos, designs, emblems, trade dress and other indicia of origin of Starbucks and all goodwill therewith in the United States of America (collectively the "Trademarks") have been transferred from Starbucks to Starbucks U.S. Brands Corporation, a California corporation ("Starbucks U.S. Brands"); and

WHEREAS, the parties desire to amend the Development Agreement as provided herein;

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. TRADEMARKS. Host hereby acknowledges that the ownership rights in and to the Trademarks have been transferred from Starbucks to Starbucks U.S. Brands, and Starbucks U.S. Brands has granted Starbucks a license to use and sublicense the Trademarks. Host also agrees that all references in the Development Agreement, as amended, regarding rights of ownership and all benefits of ownership and use of the Trademarks are amended such that it is understood and agreed that such rights and benefits shall run to Starbucks U.S. Brands, or its successors in interest, as owner of the Trademarks.

2. TERM. Section 3 of the Development Agreement provides for a five- year term. In addition, Section 3(b) of the Development Agreement provides that the Term (as defined therein) "...will automatically renew for an additional period of five (5) years, unless Starbucks or Licensee provide written notice to the other party at least thirty (30) days prior to the expiration of the basic term."

The parties hereby agree that the Term is extended for the five- year option period; therefore, the following words are hereby deleted from Section 3(b) of the Development Agreement:

...unless Starbucks or Licensee provide written notice to the other party at least thirty (30) days prior to the expiration of the basic term.

3. MANAGEMENT. Licensee hereby agrees that, at all times during the term of the Development Agreement:

a. Licensee shall designate a Manager or Director of Brand Development/Starbucks who will serve as a primary point of contact and resource to Licensee's organization for operation and development of the Starbucks concepts. Following execution of this Addendum, the job description for such person shall be developed and mutually agreed to by Licensee and Starbucks.

b. Licensee shall designate a manager, assistant manager or shift leader for each Starbucks unit. Following execution of this Addendum, Starbucks and Licensee shall jointly define the criteria for establishing which of the three choices (i.e., manager, assistant manager or shift leader) is appropriate for each unit based on volume considerations, complexity and size of the operation.

c. at any Starbucks Licensed Location where Licensee operates more than one Starbucks unit, Licensee shall designate one of the store managers to oversee the management, operation and quality assurance of all the Starbucks units at Licensee's Location (e.g., at the airport, mall, etc...).

d. Licensee shall designate at least two certified trainers per store.

4. ENTIRE AGREEMENT. Except as modified hereby, the Development Agreement (as previously amended) remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and year written below their signature.

HOST INTERNATIONAL, INC. STARBUCKS CORPORATION

BY: /s/ [Signature Illegible] BY: /s/ A.B. CRAIG

ITS: Sr. V.P. Concepts ITS: Sr. V.P. Operations

DATE: 6- 1- 98 DATE: 5- 25- 98

EXHIBIT 13

SELECTED FINANCIAL DATA

In thousands, except earnings per share and store operating data

The following selected financial data have been derived from the consolidated financial statements of the Company. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto.

As of and for the fiscal year ended(1)	Oct 1, 2000 (52 Wks)	Oct 3, 1999 (53 Wks)	Sept 27, 1998 (52 Wks)	Sept 28, 1997 (52 Wks)	Sept 29, 1996 (52 Wks)
RESULTS OF OPERATIONS DATA					
Net revenues:					
Retail	\$1,823,607	\$1,423,389	\$1,102,574	\$836,291	\$601,458
Specialty	345,611	256,756	206,128	139,098	96,414
Total net revenues	2,169,218	1,680,145	1,308,702	975,389	697,872
Merger expenses(2)	--	--	8,930	--	--
Operating income	212,252	156,711	109,216	86,199	56,575
Internet-related investment losses(3)	58,792	--	--	--	--
Gain on sale of investment(4)	--	--	--	--	9,218
Net earnings	\$ 94,564	\$ 101,693	\$ 68,372	\$ 55,211	\$ 41,710
Net earnings per common share-diluted(5)	\$ 0.49	\$ 0.54	\$ 0.37	\$ 0.33	\$ 0.27
Cash dividends per share	--	--	--	--	--
BALANCE SHEET DATA					
Working capital	\$ 146,568	\$ 135,303	\$ 157,805	\$172,079	\$239,365
Total assets	1,493,131	1,252,514	992,755	857,152	729,227
Long-term debt (including current portion)	7,168	7,691	1,803	168,832	167,980
Shareholders' equity	1,148,399	961,013	794,297	533,710	454,050
STORE OPERATING DATA					
Comparable store sales(6)	9%	6%	5%	5%	7%
Stores open at year-end:					
Continental North America:					
Company-operated stores	2,446	2,038	1,622	1,270	929
Licensed stores	530	179	133	94	75
International:					
Company-operated stores	173	97	66	31	9
Licensed stores	352	184	65	17	2
Total stores	3,501	2,498	1,886	1,412	1,015

(1) The Company's fiscal year ends on the Sunday closest to September 30. All fiscal years presented include 52 weeks, except fiscal 1999 which includes 53 weeks.

(2) Merger expenses relate to the business combination with Seattle Coffee Holdings Limited in fiscal 1998.

(3) Internet- related investment losses consist of write- downs of investments in Kozmo.com, Inc., living.com Inc., Cooking.com, Inc. and Talk City, Inc.

(4) Gain on sale of investment relates to the sale of Noah's New York Bagels, Inc. stock in fiscal 1996.

(5) Diluted earnings per share is based on the weighted average number of shares and common stock units outstanding during the period. In addition, the presentation of diluted earnings per share includes the dilutive effect of common stock equivalents consisting of certain shares subject to stock options and assumes conversion of the Company's formerly outstanding convertible subordinated debentures using the "if converted" method when such securities were dilutive, with net income adjusted for the after- tax interest expense and amortization applicable to these debentures. Earnings per share data for fiscal years 1996 through 1998 have been restated to reflect the two- for- one stock split in fiscal 1999.

(6) Percentage change includes only Company- operated stores open 13 months or longer.

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements set forth in this Annual Report, including anticipated store and market openings, planned capital expenditures and trends in or expectations regarding the Company's operations, constitute "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, coffee and other raw materials prices and availability, successful execution of internal performance and expansion plans, the impact of competition, the effect of legal proceedings and other risks detailed herein and in the Company's annual and quarterly filings with the Securities and Exchange Commission.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Starbucks presently derives approximately 84% of net revenues from its Company- operated retail stores. The remaining 16% of net revenues is derived from the Company's specialty operations, which include sales to wholesale accounts and licensees, royalty and license fee income and sales through its direct- to- consumer business. The Company's fiscal year ends on the Sunday closest to September 30. Fiscal year 2000 had 52 weeks, fiscal 1999 had 53 weeks, and fiscal year 1998 had 52 weeks. The fiscal year ending on September 30, 2001, will include 52 weeks.

The Company's consolidated net revenues increased 29% from \$1.7 billion in fiscal 1999 (53 weeks) to \$2.2 billion in fiscal 2000 (52 weeks), primarily due to the Company's store expansion program and comparable store sales increases. Comparable store sales increased by 9%, 6% and 5% in fiscal 2000, 1999 and 1998, respectively. As part of its expansion strategy of clustering stores in existing markets, Starbucks has experienced a certain level of cannibalization of existing stores by new stores as store concentration has increased. However, management believes such cannibalization has been justified by the incremental sales and return on new store investments. This cannibalization, as well as increased competition and other factors, may put downward pressure on the Company's comparable store sales growth in future periods.

The following table sets forth the percentage relationship to total net revenues, unless otherwise indicated, of certain items included in the Company's consolidated statements of earnings:

Fiscal year ended	Oct 1, 2000 (52 Wks)	Oct 3, 1999 (53 Wks)	Sept 27, 1998 (52 Wks)
STATEMENTS OF EARNINGS DATA			
Net revenues:			
Retail	84.1%	84.7%	84.2%
Specialty	15.9	15.3	15.8
Total net revenues	100.0	100.0	100.0
Cost of sales and related occupancy costs	44.0	44.1	44.2
Gross margin	56.0	55.9	55.8
Joint venture income	0.9	0.2	0.1
Store operating expenses(1)	38.7	38.2	38.0
Other operating expenses(2)	22.7	21.3	21.6
Depreciation and amortization	6.0	5.8	5.5
General and administrative expenses	5.1	5.3	5.9

Merger expenses	--	--	0.7
Operating income	9.8	9.3	8.3
Interest and other income, net	0.3	0.5	0.6
Internet-related investment losses	2.7	--	--
Earnings before income taxes	7.4	9.8	8.9
Income taxes	3.0	3.7	3.7
Net earnings	4.4%	6.1%	5.2%

(1) Shown as a percentage of retail revenues.

(2) Shown as a percentage of specialty revenues.

BUSINESS COMBINATIONS

During fiscal 2000, Starbucks acquired the outstanding stock of Tympanum, Inc. (d/b/a "Hear Music"), a music retailer, and of Coffee Partners Co. Ltd., the company licensed to operate Starbucks stores in Thailand ("Thailand operations"). The combined purchase price for these two acquisitions was \$14.1 million. During fiscal 1999, Starbucks acquired the net assets of Tazo, L.L.C., a Portland, Oregon- based tea company that produces premium tea products, and the stock of Pasqua Inc., a San Francisco, California- based roaster and retailer of specialty coffee. The combined purchase price for these two acquisitions was \$16.5 million. All of the above acquisitions were accounted for under the purchase method of accounting. Results of operations of the acquired companies are included on the accompanying consolidated financial statements from the dates of acquisition. During fiscal 1998, Starbucks acquired the United Kingdom- based Seattle Coffee Holdings Limited ("Seattle Coffee Company") in a pooling- of- interests transaction (the "Transaction"). In conjunction with the Transaction, Starbucks recorded pre- tax charges of \$8.9 million in direct merger costs and \$6.6 million in other charges associated with the integration of Seattle Coffee Company. The historical financial statements for the periods prior to the Transaction were restated as though the companies had always been combined.

RESULTS OF OPERATIONS - - FISCAL 2000 COMPARED TO FISCAL 1999

SYSTEMWIDE RETAIL STORE SALES

Systemwide retail store sales, which include net sales for both Company- operated and licensed retail stores, were \$2.3 billion for fiscal 2000 (52 weeks) an increase of 38% from \$1.6 billion in fiscal 1999 (53 weeks), primarily due to the opening of an additional 1,035 stores. Systemwide retail store sales provides a broader perspective of global brand sales; however, it excludes net revenues from non- retail channels.

REVENUES

Consolidated net revenues increased 29% to \$2.2 billion for fiscal 2000, compared to \$1.7 billion for fiscal 1999. Retail revenues increased 28% to \$1.8 billion from \$1.4 billion. The increase in retail revenues was due to the addition of new Company- operated stores and comparable store sales growth of 9%. The increase in comparable store sales resulted from a 5% increase in the number of transactions and a 4% increase in the average dollar value per transaction. During fiscal 2000, the Company opened 417 stores in continental North America, 63 stores in the United Kingdom, eight in Thailand and two in Australia. As of fiscal year- end, there were 2,446 Company- operated stores in continental North America, 156 in the United Kingdom, 15 in Thailand and two in Australia. During fiscal 2001, the Company expects to open at least 450 Company- operated stores in North America and 75 in international markets.

Specialty revenues increased 35% to \$346 million for fiscal 2000 from \$257 million for fiscal 1999. The increase was driven primarily by higher sales to licensees, grocery channel and food service accounts. Licensees (including those in which the Company is a joint venture partner) opened 361 stores in continental North America, of which over 280 stores related to the Company's expansion into grocery stores, and 184 stores in international markets. The Company ended the year with 530 licensed stores in continental North America and 352 licensed stores in international markets. During fiscal 2001, the Company expects to open at least 575 licensed stores.

GROSS MARGIN

Gross margin increased to 56.0% of net revenues for fiscal 2000 from 55.9% in fiscal 1999. The positive impact on gross margin of lower green coffee costs and retail beverage sales price increases was partially offset by higher retail occupancy costs. Occupancy costs, which are primarily fixed costs, were higher as a percentage of revenue due, in part, to one less week of sales in fiscal 2000. Also, occupancy costs have increased as a result of higher average rent expense per square foot as well as the expansion of Company- operated stores into international markets that have higher occupancy costs as a percentage of revenue than North American retail operations.

JOINT VENTURE INCOME

The Company has two joint ventures to produce and distribute Starbucks branded products. The North American Coffee Partnership is a 50/50 joint venture partnership with the Pepsi- Cola Company to develop and distribute bottled Frappuccino(R) coffee drink. The Starbucks Ice Cream Partnership is a 50/50 joint venture partnership with Dreyer's Grand Ice Cream, Inc. to develop and distribute premium ice creams.

The Company is a partner in several other joint ventures that operate licensed Starbucks retail stores, including Starbucks Coffee Japan Limited, a 50/50 joint venture partnership with Japanese retailer and restaurateur SAZABY Inc., to develop Starbucks retail stores in Japan.

Joint venture income was \$20.3 million for fiscal 2000, compared to \$3.2 million for fiscal 1999. The increase was primarily due to the crossover from losses to profitability of Starbucks Coffee Japan Limited as a result of an increase in scale, and due to the improved profitability of the North American Coffee Partnership.

EXPENSES

Store operating expenses as a percentage of retail revenues increased to 38.7% for fiscal 2000 from 38.2% for fiscal 1999. The increase was due to a number of factors. Higher average wage rates combined with a continuing shift in retail sales to more labor- intensive handcrafted beverages resulted in higher payroll- related expenditures. This shift in retail sales mix also resulted in increased maintenance on store equipment. Provision for losses on asset disposals increased due to store remodel costs associated with the expansion of lunch programs and computer system upgrades. These increases were partially offset by leverage gained from retail beverage sales price increases and reductions in advertising expenses. Other operating expenses (expenses associated with all operations other than Company- operated retail stores) were 22.7% of specialty revenues during fiscal 2000, compared to 21.3% for fiscal 1999. This increase was primarily due to higher payroll- related expenditures for accelerating the growth of the Company's specialty businesses.

Depreciation and amortization was 6.0% of net revenues, compared to 5.8% of net revenues for fiscal 1999. Excluding the extra week of sales in fiscal 1999, depreciation and amortization would have been 5.9% of net revenues in fiscal 1999. General and administrative expenses were 5.1% of net revenues during fiscal 2000, compared to 5.3% for fiscal 1999, primarily due to lower payroll- related expenses as a percentage of net revenues.

INTERNET- RELATED INVESTMENT LOSSES

During fiscal 2000 and 1999, the Company made several minority investments in companies that derive the majority of their revenue from Internet- related activities.

In fiscal 1999, the Company invested \$8 million in Talk City, Inc. ("Talk City"), a publicly traded interactive online chat site. The Company also invested \$20 million in living.com Inc. ("living.com"), an online furniture retailer. Also in fiscal 1999, the Company established an alliance with Cooking.com, Inc. ("Cooking.com"), a privately held web- based retailer of cookware, accessories and specialty foods and provider of information about cooking. As part of this alliance, the Company made a \$10 million investment in Cooking.com.

In the second quarter of fiscal 2000, the Company invested \$25 million in Kozmo.com, Inc. ("Kozmo.com"), an Internet- to- door delivery service for food, entertainment and convenience items. Starbucks and Kozmo.com also entered into a commercial agreement to provide in- store return boxes in Starbucks stores in exchange for cash, a channel for selling the Company's products and other marketing opportunities. In connection with this agreement, Starbucks received a \$15 million payment that is being recognized as revenue on a straight- line basis over twelve months. The Company does not expect to continue recording revenue from the current Kozmo.com relationship after February 2001.

During the fourth quarter of fiscal 2000, the Company determined that its investments in Internet- related companies had experienced declines in value that were other than temporary. As a result, the Company recognized losses totaling \$59 million to reduce its investments in living.com, Talk City, Cooking.com and Kozmo.com to their aggregate fair value of \$5 million as of October 1, 2000.

INCOME TAXES

The Company's effective tax rate for fiscal 2000 was 41.1% compared to 38.0% for fiscal 1999. The increase was due to the establishment of a valuation allowance against a portion of the Internet- related investment losses which management determined may ultimately not be realizable for tax purposes. Excluding the effect of these losses, the effective tax rate for fiscal 2000 was 37.6%. Management expects tax planning efforts to lower the effective tax rate to approximately 37.0% in fiscal 2001.

Systemwide retail store sales, which include net sales for both company- operated and licensed retail stores, were \$1.6 billion for fiscal 1999 (53 weeks), up 37% from \$1.2 billion in fiscal 1998 (52 weeks) primarily due to the opening of an additional 625 stores.

REVENUES

Consolidated net revenues increased 28% to \$1.7 billion for fiscal 1999, compared to \$1.3 billion for fiscal 1998. Retail revenues increased 29% to \$1.4 billion from \$1.1 billion. The increase in retail revenues was due to the addition of new Company- operated stores, comparable store sales growth of 6% and sales for the 53rd week of the fiscal year. The increase in comparable store sales resulted from a 5% increase in the number of transactions and a 1% increase in the average dollar value per transaction. During fiscal 1999, the Company opened 424 stores in continental North America and 36 stores in the United Kingdom. As of fiscal year- end, there were 2,038 Company- operated stores in continental North America and 97 in the United Kingdom.

Specialty revenues increased 25% to \$257 million for fiscal 1999 from \$206 million for fiscal 1998. The increase was driven primarily by higher sales to licensees and joint ventures and business dining customers. Licensees (including those in which the Company is a joint venture partner) opened 44 stores in continental North America and 121 stores in international markets. The Company ended the year with 179 licensed stores in continental North America and 184 licensed stores in international markets.

GROSS MARGIN

Gross margin increased to 55.9% for fiscal 1999 from 55.8% in fiscal 1998. The positive impact on gross margin of lower green coffee costs was partially offset by lower gross margins associated with a change in the Company's strategy for the grocery channel. In late fiscal 1998, the Company signed a long- term licensing agreement with Kraft Foods, Inc. ("Kraft") to handle the U.S. distribution, marketing and advertising for Starbucks whole bean and ground coffee in grocery, warehouse club and mass merchandise stores. The transition to Kraft occurred in the first quarter of fiscal 1999.

JOINT VENTURE INCOME

Joint venture income was \$3.2 million for fiscal 1999, compared to \$1.0 million for fiscal 1998. The increase was primarily due to the improved profitability from the North American Coffee Partnership and from Starbucks Coffee Japan Limited.

EXPENSES

Store operating expenses as a percentage of retail sales increased to 38.2% for fiscal 1999 from 37.5% for fiscal 1998, excluding costs associated with the Transaction. This was due primarily to higher payroll- related expenditures resulting from both an increase in average hourly wage rates and a continuing shift in sales to handcrafted beverages, which are more labor intensive. Including the Transaction costs, store operating expenses for fiscal 1998 were 38.0% of retail sales. Other operating expenses were 21.3% of specialty revenues during fiscal 1999, compared to 21.6% for fiscal 1998. This decrease was attributable to lower operating expenses associated with the grocery channel after the transition to Kraft, partially offset by higher payroll- related expense supporting other channels.

Depreciation and amortization was 5.8% of net revenues, compared to 5.5% of net revenues for fiscal 1998, primarily due to depreciation on new information systems put into service in late fiscal 1998 and during fiscal 1999. General and administrative expenses were 5.3% of net revenues during fiscal 1999 compared to 5.9% for fiscal 1998, primarily due to proportionately lower payroll- related expenses.

INCOME TAXES

The Company's effective tax rate for fiscal 1999 was 38.0% compared to 41.2% for fiscal 1998. The effective tax rate in fiscal 1998 was impacted by non- deductible losses of Seattle Coffee Company prior to the Transaction. Fiscal 1998's rate was also affected by Transaction- related costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company ended fiscal 2000 with \$132.2 million in total cash and short- term investments. Working capital as of October 1, 2000, totaled \$146.6 million compared to \$135.3 million as of October 3, 1999. Cash and cash equivalents increased by \$4.4 million during fiscal 2000 to \$70.8 million at October 1, 2000. This increase was in addition to an increase in short- term investments of \$10.0 million during the same period.

Cash provided by operating activities for fiscal 2000 totaled \$318.6 million and resulted primarily from net earnings of \$299.0 million before non-cash charges. Accrued compensation and related costs contributed \$31.0 million, primarily due to accrued bonus increases resulting from the financial performance of the Company's core businesses. In addition, deferred revenue increased mainly from the commercial agreement with Kozmo.com. Higher international accounts receivable, which are generally outstanding for longer periods of time than domestic receivables, and higher receivables from licensees resulted in an increased use of cash.

Cash used by investing activities for fiscal 2000 totaled \$373.2 million. This included capital additions to property, plant and equipment of \$316.5 million related to opening 490 new Company-operated retail stores, remodeling certain existing stores, enhancing information systems, purchasing roasting and packaging equipment for the Company's roasting and distribution facilities and expanding existing office space. The Company also used \$35.5 million primarily to make minority investments in Kozmo.com and Cooking.com. The purchases of Hear Music and the Thailand operations used \$13.5 million. The Company invested excess cash primarily in short-term, investment-grade marketable debt securities. The net activity in the Company's marketable securities portfolio during fiscal 2000 used \$10.5 million. During fiscal 2000, the Company made equity investments of \$8.5 million in its international joint ventures. The Company received \$13.7 million in distributions from the North American Coffee Partnership, \$0.5 million in distributions from the Starbucks Ice Cream Partnership and \$0.1 million from its international joint ventures.

Cash provided by financing activities for fiscal 2000 totaled \$59.4 million. This included \$58.5 million generated from the exercise of employee stock options and \$10.3 million generated from the Company's employee stock purchase plan. As options granted under the Company's stock option plans are exercised, the Company will continue to receive proceeds and a tax deduction; however, neither the amounts nor the timing thereof can be predicted. Checks issued but not presented for payment used \$7.5 million.

Cash requirements for fiscal 2001, other than normal operating expenses, are expected to consist primarily of capital expenditures related to the addition of new Company-operated retail stores. The Company plans to open at least 525 Company-operated stores during fiscal 2001. The Company also anticipates incurring additional expenditures for remodeling certain existing stores and enhancing its production capacity and information systems. While there can be no assurance that current expectations will be realized, management expects capital expenditures for fiscal 2001 to be approximately \$390 million.

Management believes that existing cash and investments plus cash generated from operations should be sufficient to finance capital requirements for its core businesses through fiscal 2001. New joint ventures, other new business opportunities or store expansion rates substantially in excess of that presently planned may require outside funding.

COFFEE PRICES, AVAILABILITY AND GENERAL RISK CONDITIONS

The supply and price of coffee are subject to significant volatility. Although most coffee trades in the commodity market, coffee of the quality sought by the Company tends to trade on a negotiated basis at a substantial premium above commodity coffee prices, depending upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, political and economic conditions. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence commodity prices of green coffee through agreements establishing export quotas or restricting coffee supplies worldwide. The Company's ability to raise sales prices in response to rising coffee prices may be limited, and the Company's profitability could be adversely affected if coffee prices were to rise substantially.

The Company enters into fixed-price purchase commitments in order to secure an adequate supply of quality green coffee and bring greater certainty to the cost of sales in future periods. As of October 1, 2000, the Company had approximately \$84 million in fixed-price purchase commitments which, together with existing inventory, is expected to provide an adequate supply of green coffee for the majority of fiscal 2001. The Company believes, based on relationships established with its suppliers in the past, that the risk of non-delivery on such purchase commitments is remote.

In addition to fluctuating coffee prices, management believes that the Company's future results of operations and earnings could be significantly impacted by other factors such as increased competition within the specialty coffee industry, the Company's ability to find optimal store locations at favorable lease rates, increased costs associated with opening and operating retail stores and the Company's continued ability to hire, train and retain qualified personnel.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market risk related to changes in interest rates, equity security prices and foreign currency exchange rates.

INTEREST RATE RISK

The Company's available- for- sale portfolio consists mainly of diversified fixed income instruments with average maturities of three months. The primary objectives of these investments are to preserve capital and liquidity without significantly increasing risk to the Company. Available- for- sale securities are of investment grade and are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income. As of October 1, 2000, this portfolio comprised 98% of "Short- term investments" on the accompanying consolidated balance sheet. The Company does not hedge its interest rate exposure.

EQUITY SECURITY PRICE RISK

The Company has minimal exposure to price fluctuations on equity mutual funds within the trading portfolio, which comprised the remaining 2% of "Short- term investments" on the accompanying consolidated balance sheet as of October 1, 2000. The trading securities are designated to approximate the Company's liability under the Management Deferred Compensation Plan ("MDCP"). A corresponding liability is included in "Accrued compensation and related costs" on the accompanying consolidated balance sheets. These investments are recorded at fair value with unrealized gains and losses recognized in "Interest and other income, net." The offsetting changes in the MDCP liability are recorded in "General and administrative expenses" on the accompanying consolidated statements of earnings.

The Company also has equity investments in privately held Internet- related companies. These investments are inherently risky as the products and services supplied by these companies could be considered in the start- up or development stages and may never materialize. The Company could lose its entire investment in these companies. During fiscal 2000, the Company recorded other- than- temporary write- downs of \$59 million. These investments are recorded on the accompanying consolidated balance sheet at a fair value of \$5 million as of October 1, 2000.

FOREIGN CURRENCY EXCHANGE RISK

The majority of the Company's revenue, expense and capital purchasing activities are transacted in United States dollars. However, because a portion of the Company's operations consists of activities outside of the United States, the Company has transactions in other currencies, primarily the Canadian dollar, British pound and Japanese yen. Historically, this exposure has had a minimal impact on the Company.

The Company did not hedge foreign currency risk or engage in any other hedging transactions during fiscal 2000, 1999 or 1998. The Company has entered into forward foreign exchange contracts to hedge foreign currency risk in fiscal 2001.

SEASONALITY AND QUARTERLY RESULTS

The Company's business is subject to seasonal fluctuations. Significant portions of the Company's net revenues and profits are realized during the first quarter of the Company's fiscal year, which includes the December holiday season. In addition, quarterly results are affected by the timing of the opening of new stores, and the Company's rapid growth may conceal the impact of other seasonal influences. Because of the seasonality of the Company's business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in implementation. The amendment included expanding the normal purchase and sale exemption for supply contracts, permitting the offsetting of certain intercompany foreign currency derivatives, thereby reducing the number of third party derivatives, permitting hedge accounting for foreign- currency assets and liabilities and redefining interest rate risk to reduce sources of ineffectiveness. The Company has adopted the provisions of SFAS 133/138 as of October 2, 2000, the first day of fiscal 2001. Adoption of SFAS 133/138 will not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In December 1999, the staff of the Securities and Exchange Commission released Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," to provide guidance on the recognition, presentation and disclosure of revenues in financial statements. The Company believes that its revenue recognition practices are in conformity with the guidelines in SAB 101, as revised, and that this pronouncement will have no material impact on its financial statements.

In March 2000, the FASB released Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation: an interpretation of APB Opinion No. 25." Interpretation No. 44 provides clarification of certain issues, such as the determination of who is an employee, the criteria for determining whether a plan qualifies as a non- compensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award and the accounting for an exchange of stock compensation awards in a business combination. The Company believes that its practices are in conformity with this guidance, and therefore Interpretation No. 44 has no impact on its

financial statements.

In September 2000, the Emerging Issues Task Force ("EITF") reached a consensus regarding Issue 00- 10, "Accounting for Shipping and Handling Fees and Costs," which requires any shipping and handling costs billed to customers in a sale transaction to be classified as revenue. The Company will adopt Issue 00- 10 as of October 2, 2000, and does not expect it to have a material impact on the Company's consolidated results of operations.

EITF Issue 00- 15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Realized by a Company upon Employee Exercise of a Nonqualified Stock Option," was adopted by the Company in fiscal 2000. Issue 00- 15 requires the income tax benefit resulting from the exercise of nonqualified stock options to be classified as cash provided by operating activities in the consolidated statements of cash flows.

CONSOLIDATED BALANCE SHEETS

In thousands, except share data

	Oct 1, 2000	Oct 3, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,817	\$ 66,419
Short-term investments	61,336	51,367
Accounts receivable, net of allowances of \$2,941 and \$1,227, respectively	76,385	47,646
Inventories	201,656	180,886
Prepaid expenses and other current assets	20,321	19,049
Deferred income taxes, net	29,304	21,133
Total current assets	459,819	386,500
Joint ventures	52,051	42,718
Other investments	3,788	25,342
Property, plant and equipment, net	930,759	760,289
Other assets	25,403	23,474
Goodwill, net	21,311	14,191
TOTAL ASSETS	\$ 1,493,131	\$ 1,252,514
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 73,653	\$ 56,108
Checks drawn in excess of bank balances	56,332	63,811
Accrued compensation and related costs	75,250	43,872
Accrued occupancy costs	29,117	23,017
Accrued taxes	35,841	30,752
Other accrued expenses	35,053	32,480
Deferred revenue	7,320	484
Current portion of long-term debt	685	673
Total current liabilities	313,251	251,197
Deferred income taxes, net	21,410	32,886
Long-term debt	6,483	7,018
Minority interest	3,588	400
Shareholders' equity:		
Common stock -- Authorized, 300,000,000 shares; issued and outstanding, 188,157,651 and 183,282,095 shares, respectively (includes 848,550 common stock units in both years)	750,872	651,020
Retained earnings	408,503	313,939
Accumulated other comprehensive loss	(10,976)	(3,946)
Total shareholders' equity	1,148,399	961,013
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,493,131	\$ 1,252,514

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

In thousands, except earnings per share

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Net revenues:			
Retail	\$1,823,607	\$1,423,389	\$1,102,574
Specialty	345,611	256,756	206,128
Total net revenues	2,169,218	1,680,145	1,308,702
Cost of sales and related occupancy costs	953,560	741,010	578,483
Gross margin	1,215,658	939,135	730,219
Joint venture income	20,300	3,192	1,034
Store operating expenses	704,898	543,572	418,476
Other operating expenses	78,374	54,566	44,513
Depreciation and amortization	130,232	97,797	72,543
General and administrative expenses	110,202	89,681	77,575
Merger expenses	--	--	8,930
Operating income	212,252	156,711	109,216
Interest and other income, net	7,110	7,315	7,134

Internet-related investment losses	58,792	--	--
Earnings before income taxes	160,570	164,026	116,350
Income taxes	66,006	62,333	47,978
Net earnings	\$ 94,564	\$ 101,693	\$ 68,372
Net earnings per common share -- basic	\$ 0.51	\$ 0.56	\$ 0.39
Net earnings per common share -- diluted	\$ 0.49	\$ 0.54	\$ 0.37
Weighted average shares outstanding:			
Basic	185,595	181,842	176,110
Diluted	192,999	188,531	183,771

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
OPERATING ACTIVITIES:			
Net earnings	\$ 94,564	\$ 101,693	\$ 68,372
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	142,171	107,512	80,901
Internet-related investment losses	58,792	--	--
Provision for losses on asset disposals	5,753	2,456	7,234
Conversion of compensatory options into common stock	--	--	1,158
Deferred income taxes, net	(18,252)	794	2,125
Equity in (income) losses of investees	(15,139)	(2,318)	14
Tax benefit from exercise of nonqualified stock options	31,131	18,621	9,332
Cash provided (used) by changes in operating assets and liabilities:			
Net purchases of trading securities	(1,414)	--	--
Accounts receivable	(28,235)	3,838	(19,790)
Inventories	(19,495)	(36,405)	(23,496)
Prepaid expenses and other current assets	(700)	(7,552)	(2,497)
Accounts payable	15,561	4,711	4,601
Accrued compensation and related costs	30,962	7,586	9,943
Accrued occupancy costs	6,007	5,517	5,342
Accrued taxes	5,026	12,429	7,173
Minority interest	3,188	400	--
Deferred revenue	6,836	(53)	209
Other accrued expenses	1,818	10,366	1,590
Net cash provided by operating activities	318,574	229,595	152,211
INVESTING ACTIVITIES:			
Purchase of available-for-sale investments	(118,501)	(122,800)	(51,354)
Maturity of available-for-sale investments	58,750	85,053	112,080
Sale of available-for-sale investments	49,238	3,633	5,138
Purchase of businesses, net of cash acquired	(13,522)	(15,662)	--
Investments in joint ventures	(8,473)	(10,466)	(12,418)
Purchases of other investments	(35,457)	(20,314)	--
Distributions from joint ventures	14,279	8,983	2,750
Additions to property, plant and equipment	(316,450)	(257,854)	(201,855)
Additions to other assets	(3,096)	(6,866)	(3,184)
Net cash used by investing activities	(373,232)	(336,293)	(148,843)
FINANCING ACTIVITIES:			
Increase/(decrease) in cash provided by checks drawn in excess of bank balances	(7,479)	29,512	4,846
Proceeds from sale of common stock under employee stock purchase plan	10,258	9,386	4,649
Exercise of stock options	58,463	33,799	20,755
Payments on long-term debt	(1,889)	(1,189)	(1,993)
Net cash provided by financing activities	59,353	71,508	28,257
Effect of exchange rate changes on cash and cash equivalents	(297)	(54)	(88)
Net increase/(decrease) in cash and cash equivalents	4,398	(35,244)	31,537
CASH AND CASH EQUIVALENTS:			
Beginning of year	66,419	101,663	70,126
End of year	\$ 70,817	\$ 66,419	\$ 101,663
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 411	\$ 442	\$ 4,130
Income taxes	51,856	35,366	32,643
NONCASH FINANCING AND INVESTING TRANSACTIONS:			
Liabilities assumed in conjunction with the acquisition of land and building	--	7,746	--
Net unrealized holding gains (losses) on investments	(163)	683	(595)
Conversion of convertible debt into common stock, net of unamortized issue costs and accrued interest	--	--	162,036
Common stock tendered in settlement of stock options exercised	--	--	4,859

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands, except share data

COMMON STOCK

ACCUMULATED
OTHER

	SHARES	AMOUNT	RETAINED EARNINGS	COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance, September 28, 1997	161,118,046	\$391,284	\$143,874	\$ (1,448)	\$ 533,710
Net earnings	--	--	68,372	--	68,372
Unrealized holding losses, net	--	--	--	(595)	(595)
Translation adjustment	--	--	--	(5,120)	(5,120)
Comprehensive income					62,657
Conversion of convertible debt into common stock	14,194,054	162,036	--	--	162,036
Common stock units issued under deferred stock plan, net of shares tendered	848,550	--	--	--	--
Exercise of stock options, including tax benefit of \$9,332	2,834,528	31,245	--	--	31,245
Sale of common stock	271,778	4,649	--	--	4,649
Balance, September 27, 1998	179,266,956	589,214	212,246	(7,163)	794,297
Net earnings	--	--	101,693	--	101,693
Unrealized holding gains, net	--	--	--	683	683
Translation adjustment	--	--	--	2,534	2,534
Comprehensive income					104,910
Exercise of stock options, including tax benefit of \$18,621	3,522,908	52,420	--	--	52,420
Sale of common stock	492,231	9,386	--	--	9,386
Balance, October 3, 1999	183,282,095	651,020	313,939	(3,946)	961,013
Net earnings	--	--	94,564	--	94,564
Unrealized holding losses, net	--	--	--	(163)	(163)
Translation adjustment	--	--	--	(6,867)	(6,867)
Comprehensive income					87,534
Exercise of stock options, including tax benefit of \$31,131	4,471,785	89,594	--	--	89,594
Sale of common stock	403,771	10,258	--	--	10,258
Balance, October 1, 2000	188,157,651	\$750,872	\$408,503	\$ (10,976)	\$ 1,148,399

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 1, 2000, October 3, 1999 and September 27, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Starbucks Corporation and its subsidiaries (collectively "Starbucks" or the "Company") purchases and roasts high quality whole bean coffees and sells them, along with fresh, rich- brewed coffees, Italian- style espresso beverages, cold blended beverages, a variety of pastries and confections, coffee- related accessories and equipment and a line of premium teas, primarily through its Company- operated retail stores. In addition to sales through its Company- operated retail stores, Starbucks sells coffee and tea products through other channels of distribution (collectively, "specialty operations"). Starbucks, through its joint venture partnerships, also produces and sells bottled Frappuccino(R) coffee drink and a line of premium ice creams. The Company's objective is to establish Starbucks as the most recognized and respected brand in the world. To achieve this goal, the Company plans to continue to rapidly expand its retail operations, grow its specialty operations and selectively pursue other opportunities to leverage the Starbucks brand through the introduction of new products and the development of new distribution channels.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements reflect the financial position and operating results of Starbucks, its subsidiaries and investments in joint ventures in which the Company has significant control. All significant intercompany transactions have been eliminated.

The Company has investments in unconsolidated joint ventures that are accounted for under the equity method, as the Company does not exercise control over the operating and financial policies of such joint ventures. The Company also has other investments that are accounted for under the cost method.

FISCAL YEAR- END

The Company's fiscal year ends on the Sunday closest to September 30. The fiscal years ended October 1, 2000 and September 27, 1998 each included 52 weeks. The fiscal year ended October 3, 1999, included 53 weeks.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

CASH MANAGEMENT

The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Checks issued but not presented for payment to the bank are reflected as "Checks drawn in excess of bank balances" on the accompanying consolidated financial statements.

SHORT- TERM INVESTMENTS

The Company's investments consist primarily of investment- grade marketable debt and equity securities, all of which are classified as trading or available- for- sale. Trading securities are recorded at fair value with unrealized holding gains and losses included in earnings. Available- for- sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Realized gains and losses are accounted for on the specific identification method. Purchases and sales are recorded on a trade date basis.

OTHER INVESTMENTS

The Company has investments in privately held equity securities that are recorded at their estimated fair values.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents approximates fair value because of the short- term maturity of those instruments. The fair value of the Company's investments in marketable debt and equity securities is based upon the quoted market price on the last business day of the fiscal year. The fair value and amortized cost of the Company's investments (short- and long- term) at October 1, 2000, were \$61.3 million and \$61.0 million, respectively. The fair value and amortized cost of the Company's investments at October 3, 1999, were \$56.4 million and \$56.2 million, respectively. For equity securities of companies that are privately held, or where an observable quoted market price does not exist, the Company estimates fair value using a variety of valuation methodologies. Such methodologies include comparing the security with securities of publicly traded companies in similar lines of business, applying revenue multiples to estimated future operating results for the private company and estimating discounted cash flows for that company. For further information on investments, see Notes 4 and 7. The carrying value of long- term debt approximates fair value.

INVENTORIES

Inventories are stated at the lower of cost (primarily moving average cost) or market.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and amortization. Depreciation of property, plant and equipment, which includes amortization of assets under capital leases, is provided on the straight- line method over estimated useful lives, generally ranging from two to seven years for equipment and 30 to 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally ten years. The portion of depreciation expense related to production and distribution facilities is included in "Cost of sales and related occupancy costs" on the accompanying consolidated statements of earnings.

GOODWILL

Goodwill resulting from business acquisitions represents the excess purchase price paid over net assets of businesses acquired and is amortized on a straight- line basis over the period of expected benefit, which ranges from ten to twenty years.

LONG- LIVED ASSETS

When facts and circumstances indicate that the carrying values of long- lived assets, including intangibles, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. Upon indication that the carrying value of such assets may not be recoverable, the Company recognizes an impairment loss by a charge against current operations.

REVENUE RECOGNITION

Retail store revenues are recognized when payment is tendered at the point of sale. Specialty revenues, consisting mainly of product sales, are generally recognized upon shipment to customers. Initial non-refundable fees required under licensing agreements are earned upon substantial performance of services. Royalty revenues based upon a percentage of sales and other continuing fees are recognized when earned. All revenues are recognized net of any discounts.

ADVERTISING

The Company expenses costs of advertising the first time the advertising campaign takes place, except for direct-to-consumer advertising, which is capitalized and amortized over its expected period of future benefit, generally six to twelve months. Net capitalized direct-to-consumer advertising costs were \$0.2 million and \$2.5 million as of October 1, 2000 and October 3, 1999, respectively, and are included in "Prepaid expenses and other current assets" on the accompanying consolidated balance sheets. Total advertising expenses, recorded in "Store operating expenses" and "Other operating expenses" on the accompanying consolidated statements of earnings, were \$32.6 million, \$38.4 million and \$31.4 million in 2000, 1999, and 1998, respectively.

STORE PREOPENING EXPENSES

Costs incurred in connection with the start-up and promotion of new store openings are expensed as incurred.

RENT EXPENSE

Certain of the Company's lease agreements provide for scheduled rent increases during the lease terms or for rental payments commencing at a date other than the date of initial occupancy. Minimum rental expenses are recognized on a straight-line basis over the terms of the leases.

FOREIGN CURRENCY TRANSLATION

The Company's international operations use their local currency as their functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income.

INCOME TAXES

The Company computes income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities.

STOCK SPLIT

On March 19, 1999, the Company effected a two-for-one stock split for its holders of record on March 5, 1999. All applicable share and per-share data in these consolidated financial statements have been restated to give effect to this stock split.

EARNINGS PER SHARE

The computation of basic earnings per share is based on the weighted average number of shares and common stock units outstanding during the period. The computation of diluted earnings per share includes the dilutive effect of common stock equivalents consisting of certain shares subject to stock options. The computation of diluted earnings per share also assumes conversion of the Company's formerly outstanding convertible subordinated debentures using the "if converted" method when such securities were dilutive, with net income adjusted for the after-tax interest expense and amortization applicable to these debentures.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133 to clarify four areas causing difficulties in implementation. The amendment included expanding the normal purchase and sale exemption for supply contracts, permitting the offsetting of certain intercompany foreign currency derivatives, thereby reducing the number of third party derivatives, permitting hedge accounting for foreign-currency assets and liabilities and redefining interest rate risk to reduce sources of ineffectiveness. The Company has adopted the provisions of SFAS 133/138 as of October 2, 2000, the first day of fiscal 2001. Adoption of SFAS 133/138 will not have a material impact on the Company's consolidated results of operations,

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RECLASSIFICATIONS

Certain reclassifications of prior years' balances have been made to conform to the fiscal 2000 presentation.

NOTE 2: BUSINESS COMBINATIONS

During fiscal 2000, Starbucks acquired the outstanding stock of Tympanum, Inc. (d/b/a "Hear Music"), a music retailer, and of Coffee Partners Co. Ltd., the company licensed to operate Starbucks stores in Thailand ("Thailand operations"). The combined purchase price for these two acquisitions was \$14.1 million. During fiscal 1999, Starbucks acquired the net assets of Tazo, L.L.C., a Portland, Oregon- based tea company that produces premium tea products, and the stock of Pasqua Inc., a San Francisco, California- based roaster and retailer of specialty coffee. The combined purchase price for these two acquisitions was \$16.5 million. All of the above acquisitions were accounted for under the purchase method of accounting. Results of operations of the acquired companies are included on the accompanying consolidated financial statements from the dates of acquisition. During fiscal 1998, Starbucks acquired the United Kingdom- based Seattle Coffee Holdings Limited ("Seattle Coffee Company") in a pooling- of- interests transaction (the "Transaction"). In conjunction with the Transaction, Starbucks recorded pre- tax charges of \$8.9 million in direct merger costs and \$6.6 million in other charges associated with the integration of Seattle Coffee Company. The historical financial statements for the periods prior to the Transaction were restated as though the companies had always been combined.

The following summarizes the Company's net revenues, net earnings and earnings per share for the periods in fiscal 1998 prior to and following the Transaction (in thousands, except earnings per share):

	STARBUCKS	SEATTLE COFFEE COMPANY	COMBINED
34 Weeks prior to the Transaction:			
Net revenues	\$805,151	\$ 15,675	\$820,826
Net earnings	45,811	(3,312)	42,499
Net earnings per share -- diluted	0.25	(0.02)	0.23
18 Weeks after the Transaction:			
Net revenues			\$487,876
Net earnings			25,873
Net earnings per share -- diluted			0.15

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following (in thousands):

	Oct 1, 2000	Oct 3, 1999
Operating funds and interest-bearing deposits	\$48,821	\$39,926
Commercial paper	998	7,980
Money market funds	20,998	18,513
Total	\$70,817	\$66,419

NOTE 4: SHORT- TERM INVESTMENTS

The Company's investments consist of the following (in thousands):

	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES
October 3, 2000:				
Short-term investments - available-for-sale:				
U.S. Government obligations	\$10,990	\$10,996	\$3	\$ (9)
Commercial paper	45,356	45,373	1	(18)
Marketable equity securities	1,227	1,227	-	--
Total	57,573	\$57,596	\$4	\$ (27)
Short-term investments - trading	3,763			
Total short-term investments	\$61,336			

	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES
October 3, 1999:				
Short-term investments - available-for-sale:				
Corporate debt securities	\$17,233	\$17,123	\$155	\$ (45)
U.S. Government obligations	4,988	4,976	13	(1)
Commercial paper	18,706	18,751	--	(45)
Mutual funds	2,056	2,002	73	(19)
Marketable equity securities	8,384	8,258	313	(187)
Total	\$51,367	\$51,110	\$554	\$ (297)
Long-term investments:				
U.S. Government obligations	\$ 5,028	\$ 5,044	\$ --	\$ (16)

Available-for-sale securities with remaining maturities of one year or less are classified as short-term investments. Securities with remaining maturities longer than one year are classified as long-term and are included in the line item "Other investments" on the accompanying consolidated balance sheets. The specific identification method is used to determine a cost basis for computing realized gains and losses.

In fiscal 2000, 1999 and 1998, proceeds from the sale of investment securities were \$49.2 million, \$3.6 million and \$5.1 million, respectively. Gross realized gains and losses from the sale of securities were not material in 2000, 1999 and 1998. During fiscal 2000, the Company recorded a loss of \$6.8 million on its investment in the common stock of Talk City, Inc., due to an impairment that was determined by management to be other than temporary. The remaining fair value of the investment was \$1.2 million as of October 1, 2000.

Trading securities are classified as short-term investments. The trading securities are marketable equity funds designated to approximate the Company's liability under the Management Deferred Compensation Plan ("MDCP"). The corresponding deferred compensation liability of \$3.8 million is included in "Accrued compensation and related costs" on the accompanying consolidated balance sheets. The change in net unrealized holding gains in the trading portfolio included in earnings during the year was \$0.3 million. There were no trading securities as of October 3, 1999.

NOTE 5: INVENTORIES

Inventories consist of the following (in thousands):

	Oct 1, 2000	Oct 3, 1999
Coffee:		
Unroasted	\$ 90,807	\$ 95,001
Roasted	27,880	28,065

Other merchandise held for sale	59,420	37,564
Packaging and other supplies	23,549	20,256
Total	\$201,656	\$180,886

As of October 1, 2000, the Company had fixed- price inventory purchase commitments for green coffee totaling approximately \$84 million. The Company believes, based on relationships established with its suppliers in the past, that the risk of non- delivery on such purchase commitments is remote.

NOTE 6: JOINT VENTURES

The Company has two joint ventures to produce and distribute Starbucks branded products. The North American Coffee Partnership is a 50/50 joint venture partnership with the Pepsi- Cola Company to develop and distribute bottled Frappuccino coffee drink. The Starbucks Ice Cream Partnership is a 50/50 joint venture partnership with Dreyer's Grand Ice Cream, Inc. to develop and distribute premium ice creams.

The Company is a partner in several other joint ventures that operate licensed Starbucks retail stores, including Starbucks Coffee Japan Limited, a 50/50 joint venture partnership with Japanese retailer and restaurateur SAZABY Inc., to develop Starbucks retail stores in Japan. The Company also has interests in joint ventures to develop Starbucks retail stores in Hawaii, Taiwan, Shanghai, Hong Kong and Switzerland.

The Company accounts for these investments using the equity method when Starbucks is deemed to have significant influence over the investee but is not the controlling or managing partner; otherwise, the investment is accounted for using the cost method. The Company's share of income and losses for equity method joint ventures is included in "Joint venture income" on the accompanying consolidated statements of earnings. This line also includes the Company's proportionate share of gross margin resulting from the sale of coffee and other products to the joint ventures and the Company's proportionate share of royalty and license fee revenues received from the joint ventures.

The Company's investments in these joint ventures are as follows (in thousands):

	EQUITY JOINT VENTURES	COST JOINT VENTURES	TOTAL
Balance, September 28, 1997	\$ 29,263	\$ --	\$ 29,263
Allocated share of losses	(14)	--	(14)
Distributions from joint ventures	(2,750)	--	(2,750)
Capital contributions	12,059	359	12,418
Balance, September 27, 1998	\$ 38,558	\$359	\$ 38,917
Allocated share of income	2,318	--	2,318
Distributions from joint ventures	(8,983)	--	(8,983)
Capital contributions	10,466	--	10,466
Balance, October 3, 1999	\$ 42,359	\$359	\$ 42,718
Allocated share of income	15,139	--	15,139
Distributions from joint ventures	(14,279)	--	(14,279)
Capital contributions	8,049	424	8,473
Balance, October 1, 2000	\$ 51,268	\$783	\$ 52,051

The Company has a consolidated 90/10 joint venture with Starbucks Coffee Company (Australia) Pty Ltd. to develop retail stores in Australia. In addition, the Company has a consolidated 50/50 joint venture, Urban Coffee Opportunities, LLC, with Johnson Development Corporation to develop retail stores in under- served urban communities.

NOTE 7: OTHER INVESTMENTS

In fiscal 1999, the Company invested \$20.3 million in living.com Inc. ("living.com"), an online furniture retailer. Also in 1999, the Company established an alliance with Cooking.com, Inc. ("Cooking.com"), a privately held web- based retailer of cookware, accessories and specialty foods and provider of information about cooking. As part of this alliance, the Company made a \$10.0 million investment in Cooking.com.

During fiscal 2000, the Company invested \$25.0 million in Kozmo.com, an Internet- to- door delivery service for food, entertainment and convenience items. Starbucks and Kozmo.com also entered into a commercial agreement to provide in- store return boxes in Starbucks stores in exchange for cash, a channel for selling the Company's products and other marketing opportunities. In connection with this agreement, Starbucks received a \$15.0 million payment that is being recognized as revenue on a straight- line basis over twelve months. The Company does not expect to continue recording

revenue from the current Kozmo.com relationship after February 2001.

During fiscal 2000, the Company determined that its investments in Internet- related companies had suffered declines in value that were other than temporary. As a result, the Company recognized losses totaling \$52.0 million to reduce its investments in living.com, Cooking.com and Kozmo.com to their aggregate fair value of \$3.6 million as of October 1, 2000.

The Company also had various other investments recorded at their estimated aggregate fair value of \$0.2 million as of October 1, 2000.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and consist of the following (in thousands):

	Oct 1, 2000	Oct 3, 1999
Land	\$ 5,084	\$ 5,084
Building	19,795	19,795
Leasehold improvements	736,471	591,640
Roasting and store equipment	369,587	273,612
Furniture, fixtures and other	182,528	130,223
	1,313,465	1,020,354
Less accumulated depreciation and amortization	(446,403)	(320,982)
	867,062	699,372
Work in progress	63,697	60,917
Property, plant and equipment, net	\$ 930,759	\$ 760,289

NOTE 9: LONG- TERM DEBT

In September 1999, the Company purchased the land and building comprising its York County, Pennsylvania roasting plant and distribution facility. The total purchase price was \$12.9 million. In connection with this purchase, the Company assumed loans totaling \$7.7 million from the York County Industrial Development Corporation. The remaining maturities of these loans range from 9 to 10 years, with interest rates from 0.0% to 2.0%.

Scheduled principal payments on long- term debt are as follows (in thousands):

Fiscal year ending	
2001	\$ 685
2002	697
2003	710
2004	722
2005	735
Thereafter	3,619
Total principal payments	\$7,168

NOTE 10: LEASES

The Company leases retail stores, roasting and distribution facilities and office space under operating leases expiring through 2023. Most lease agreements contain renewal options and rent escalation clauses. Certain leases provide for contingent rentals based upon gross sales.

Rental expense under these lease agreements was as follows (in thousands):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Minimum rentals	\$127,149	\$95,613	\$75,912
Contingent rentals	3,743	1,581	1,406
Total	\$130,892	\$97,194	\$77,318

Minimum future rental payments under non- cancelable lease obligations as of October 1, 2000, are as follows (in thousands):

Fiscal year ending	
2001	\$ 129,407

2002	129,018
2003	127,604
2004	122,404
2005	112,988
Thereafter	417,874
Total minimum lease payments	\$1,039,295

NOTE 11: SHAREHOLDERS' EQUITY

The Company has authorized 7,500,000 shares of its preferred stock, none of which was outstanding at October 1, 2000.

COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," as of the first quarter of fiscal 1999. Comprehensive income includes all changes in equity during the period, except those resulting from transactions with shareholders of the Company. It has two components: net income and other comprehensive income. Accumulated other comprehensive income (loss) reported on the Company's consolidated balance sheets consists of foreign currency translation adjustments and the unrealized gains and losses, net of applicable taxes, on available-for-sale securities. Comprehensive income, net of related tax effects, is as follows (in thousands):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Net earnings	\$ 94,564	\$101,693	\$ 68,372
Unrealized holding gains (losses) on investments, net of tax (provision) benefit of \$52, (\$155) and \$373 in 2000, 1999 and 1998, respectively	(85)	252	(595)
Reclassification adjustment for (gains) losses realized in net income, net of tax provision (benefit) of (\$48) and \$270, respectively	(78)	431	--
Net unrealized gain (loss)	(163)	683	(595)
Translation adjustment	(6,867)	2,534	(5,120)
Total comprehensive income	\$ 87,534	\$104,910	\$ 62,657

NOTE 12: EMPLOYEE STOCK AND BENEFIT PLANS

STOCK OPTION PLANS

The Company maintains several stock option plans under which the Company may grant incentive stock options and non-qualified stock options to employees, consultants and non-employee directors. Stock options have been granted at prices at or above the fair market value on the date of grant. Options vest and expire according to terms established at the grant date.

The following summarizes all stock option transactions from September 28, 1997, through October 1, 2000.

	SHARES SUBJECT TO OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	SHARES SUBJECT TO EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding, September 28, 1997	17,907,322	\$ 9.66	7,427,352	\$ 5.43
Granted	6,508,632	18.52		
Exercised	(3,683,078)	6.13		
Cancelled	(1,229,478)	11.79		
Outstanding, September 27, 1998	19,503,398	13.10	7,560,806	8.49
Granted	8,051,998	22.97		
Exercised	(3,522,908)	9.53		
Cancelled	(1,461,937)	18.99		
Outstanding, October 3, 1999	22,570,551	16.84	12,080,825	13.55
Granted	4,705,165	24.84		
Exercised	(4,471,785)	13.07		
Cancelled	(1,859,068)	21.41		
Outstanding, October 1, 2000	20,944,863	\$ 19.10	10,165,370	\$ 15.65

As of October 1, 2000, there were 16,762,482 shares of common stock available for issuance pursuant to future stock option grants.

Additional information regarding options outstanding as of October 1, 2000, is as follows:

		OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES		SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	
\$ 0.75	\$ 9.41	3,046,798	4.04	\$ 7.14	2,872,310	\$ 7.01	
9.69	18.41	6,942,673	6.54	16.92	4,007,553	16.15	
19.42	22.69	5,530,507	8.17	21.52	2,681,621	21.48	
23.25	35.31	5,197,385	8.93	25.60	603,886	27.49	
36.06	40.75	227,500	9.75	38.13	--	--	
\$ 0.75	\$ 40.75	20,944,863	7.23	\$ 19.10	10,165,370	\$ 15.65	

EMPLOYEE STOCK PURCHASE PLAN

The Company has an employee stock purchase plan which provides that eligible employees may contribute up to 10% of their base earnings, up to \$25,000 annually, toward the quarterly purchase of the Company's common stock. The employee's purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of the quarterly offering period. No compensation expense is recorded in connection with the plan. The total number of shares issuable under the plan is 8,000,000. There were 403,771 shares issued under the plan during fiscal 2000 at prices ranging from \$20.37 to \$32.73. There were 492,231 shares issued under the plan during fiscal 1999 at prices ranging from \$14.05 to \$25.18. There were 271,778 shares issued under the plan during fiscal 1998 at prices ranging from \$15.99 to \$19.58. Of the 24,465 employees eligible to participate, 6,708 were participants in the plan as of October 1, 2000.

DEFERRED STOCK PLAN

The Company has a Deferred Stock Plan for certain key employees that enables participants in the plan to defer receipt of ownership of common shares from the exercise of non-qualified stock options. The minimum deferral period is five years. As of October 1, 2000, receipt of 848,550 shares was deferred under the terms of this plan. The rights to receive these shares, represented by common stock units, are included in the calculation of basic and diluted earnings per share as common stock equivalents.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements. SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income and net income per share as if the Company adopted the fair-value method of accounting for stock-based awards as of the beginning of fiscal 1996. The fair value of stock-based awards to employees is calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	EMPLOYEE STOCK OPTIONS			EMPLOYEE STOCK PURCHASE PLAN		
	2000	1999	1998	2000	1999	1998
Expected life (years)	2 - 6	1.5 - 6	1.5 - 6	0.25	0.25	0.25
Expected volatility	55%	50%	45%	42 - 82%	44 - 66%	37 - 45%
Risk-free interest rate	5.65 - 6.87%	4.60 - 6.21%	5.28 - 6.05%	5.97 - 6.40%	4.26 - 5.63%	5.26 - 5.74%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Company's valuations are based upon a multiple option valuation approach and forfeitures are recognized as they occur. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of

highly subjective assumptions, including the expected stock- price volatility. The Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate.

As required by SFAS No. 123, the Company has determined that the weighted average estimated fair values of options granted during fiscal 2000, 1999 and 1998 were \$10.74, \$8.86 and \$7.20 per share, respectively. Had compensation costs for the Company's stock- based compensation plans been accounted for using the fair value method of accounting described by SFAS No. 123, the Company's net earnings and earnings per share would have been as follows (in thousands, except earnings per share):

Fiscal year ended	AS REPORTED	PRO FORMA UNDER SFAS NO. 123
October 1, 2000:		
Net earnings	\$ 94,564	\$ 66,241
Net earnings per common share:		
Basic	\$ 0.51	\$ 0.36
Diluted	\$ 0.49	\$ 0.35
October 3, 1999:		
Net earnings	\$ 101,693	\$ 75,326
Net earnings per common share:		
Basic	\$ 0.56	\$ 0.41
Diluted	\$ 0.54	\$ 0.40
September 27, 1998:		
Net earnings	\$ 68,372	\$ 51,595
Net earnings per common share:		
Basic	\$ 0.39	\$ 0.30
Diluted	\$ 0.37	\$ 0.28

In applying SFAS No. 123, the impact of outstanding stock options granted prior to 1996 has been excluded from the pro forma calculations; accordingly, the 2000, 1999 and 1998 pro forma adjustments are not necessarily indicative of future period pro forma adjustments.

DEFINED CONTRIBUTION PLANS

Starbucks maintains voluntary defined contribution plans covering eligible employees as defined in the plan documents. Participating employees may elect to defer and contribute a percentage of their compensation to the plan, not to exceed the dollar amount set by law. For certain plans, the Company matches 25% of each employee's eligible contribution up to a maximum of the first 4% of each employee's compensation.

The Company's matching contributions to the plans were approximately \$1.1 million, \$0.9 million and \$0.8 million for fiscal 2000, 1999 and 1998, respectively.

NOTE 13: INCOME TAXES

A reconciliation of the statutory federal income tax rate with the Company's effective income tax rate is as follows:

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.7	3.7	3.8
Non-deductible losses and merger costs	--	--	2.6
Valuation allowance change from prior year	3.5	--	--
Other, net	(1.1)	(0.7)	(0.2)
Effective tax rate	41.1%	38.0%	41.2%

The provision for income taxes consists of the following (in thousands):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Currently payable:			

Federal	\$ 71,758	\$52,207	\$39,267
State	12,500	9,332	6,586
Deferred (asset) liability, net	(18,252)	794	2,125
Total	\$ 66,006	\$62,333	\$47,978

Deferred income taxes (benefits) reflect the tax effect of temporary differences between the amounts of assets and liabilities for financial reporting purposes and amounts as measured for tax purposes. The Company will establish a valuation allowance if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain. At October 1, 2000, the Company established a valuation allowance of \$5.7 million as a result of the losses incurred on Internet- related investments.

The tax effect of temporary differences and carryforwards that cause significant portions of deferred tax assets and liabilities is as follows (in thousands):

	Oct 1, 2000	Oct 3, 1999
Deferred tax assets:		
Loss on investments	\$ 22,635	\$ --
Accrued rent	10,321	8,234
Accrued compensation and related costs	6,710	5,622
Inventory related costs	3,550	2,067
Other	15,222	9,900
Total	58,438	25,823
Valuation allowance	(5,659)	--
Total deferred tax asset, net of valuation allowance	52,779	25,823
Deferred tax liabilities:		
Depreciation	(36,249)	(29,826)
Investments in joint ventures	(4,616)	(3,990)
Other	(4,020)	(3,760)
Total	(44,885)	(37,576)
Net deferred tax asset (liability)	\$ 7,894	\$ (11,753)

Taxes currently payable of \$17.9 million and \$16.3 million are included in "Accrued taxes" on the accompanying consolidated balance sheets as of October 1, 2000 and October 3, 1999, respectively.

NOTE 14: EARNINGS PER SHARE

The following table represents the calculation of net earnings per common share - - basic (in thousands, except earnings per share):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Net earnings	\$ 94,564	\$101,693	\$ 68,372
Weighted average common shares and common stock units outstanding	185,595	181,842	176,110
Net earnings per common share - basic	\$ 0.51	\$ 0.56	\$ 0.39

The following table represents the calculation of net earnings per common and common equivalent share - diluted (in thousands, except earnings per share):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
Net earnings calculation:			
Net earnings	\$ 94,564	\$101,693	\$ 68,372
Add after-tax interest expense on debentures	--	--	348
Add after-tax amortization of issuance costs related to the debentures	--	--	30
Adjusted net earnings	\$ 94,564	\$101,693	\$ 68,750
Weighted average common shares and common stock units outstanding	185,595	181,842	176,110
Dilutive effect of outstanding common stock options	7,404	6,689	6,257

Assuming conversion of convertible subordinated debentures	--	--	1,404
Weighted average common and common equivalent shares outstanding	192,999	188,531	183,771
Net earnings per common and common equivalent share - diluted	\$ 0.49	\$ 0.54	\$ 0.37

The Internet- related investment losses of \$58.8 million during fiscal 2000 negatively impacted the diluted earnings per share calculation by \$0.22. Excluding these losses, diluted net earnings per common and common equivalent share was \$0.71. See Notes 4 and 7.

Options with exercise prices greater than the average market price were not included in the computation of diluted earnings per share. These options totaled 0.3 million, 0.6 million and 0.3 million for fiscal 2000, 1999 and 1998, respectively.

NOTE 15: COMMITMENTS AND CONTINGENCIES

In connection with various bank loans entered into by Starbucks Coffee Japan Limited, the Company has guaranteed \$25.4 million of the outstanding debt in the event of default by Starbucks Coffee Japan Limited.

In the normal course of business, the Company has various legal claims and other contingent matters outstanding. Management believes that any ultimate liability arising from these actions would not have a material adverse effect on the Company's results of operations or financial condition as of and for the fiscal year ended October 1, 2000.

NOTE 16: SEGMENT REPORTING

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes reporting and disclosure standards for an enterprise's operating segments. Operating segments are defined as components of an enterprise for which separate financial information is available and regularly reviewed by the Company's senior management.

The Company is organized into a number of business units. The Company's North American retail business sells coffee beverages, whole bean coffees and related hardware and equipment through Company- operated retail stores in the United States and Canada. The Company's international retail business consists of entities that own and operate retail stores in the United Kingdom, Thailand and Australia. These two retail segments are managed by different presidents within the Company and are measured and evaluated separately by senior management.

The Company operates through several other business units, each of which is managed and evaluated independently. These other business units are organized around the strategic relationships that govern the distribution of products to the customer. These relationships include retail store licensing agreements, wholesale accounts, grocery channel licensing agreements, joint ventures and direct- to- consumer marketing channels. Revenues from these segments include both sales to unaffiliated customers and intersegment sales, which are accounted for on a basis consistent with sales to unaffiliated customers. Intersegment sales and other intersegment transactions have been eliminated on the accompanying consolidated financial statements.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1. Operating income represents earnings before interest and other income/expense and income taxes. No allocations of overhead, interest or income taxes are made to the segments. Identifiable assets by segment are those assets used in the Company's operations in each segment. General corporate assets include cash and investments, unallocated assets of the corporate headquarters and roasting facilities, deferred taxes and certain intangibles. Management evaluates performance of the segments based on direct product sales and operating costs.

The tables below present information by operating segment (in thousands):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
REVENUES:			
North American retail	\$ 1,734,929	\$ 1,375,018	\$ 1,076,731
All other business units	457,496	320,604	238,798
Intersegment revenues	(23,207)	(15,477)	(6,827)
Total revenues	\$ 2,169,218	\$ 1,680,145	\$ 1,308,702
OPERATING INCOME:			
North American retail	\$ 249,924	\$ 209,338	\$ 161,334
All other business units	97,100	55,998	45,943
Unallocated corporate expenses	(134,902)	(107,460)	(89,069)

Merger expenses	--	--	(8,930)
Intersegment eliminations	130	(1,165)	(62)
Interest and other income, net	7,110	7,315	7,134
Internet-related investment losses	(58,792)	--	--
Total earnings before income taxes	\$ 160,570	\$ 164,026	\$ 116,350
DEPRECIATION AND AMORTIZATION:			
North American retail	\$ 94,312	\$ 72,252	\$ 56,328
All other business units	13,664	7,766	4,721
Unallocated corporate expenses	22,256	17,779	11,494
Total depreciation and amortization	\$ 130,232	\$ 97,797	\$ 72,543
INCOME (LOSSES) FROM EQUITY METHOD INVESTEEES:			
All other business units	\$ 15,139	\$ 2,318	\$ (14)
Intersegment eliminations	5,161	874	1,048
Total income from equity method investees	\$ 20,300	\$ 3,192	\$ 1,034

	Oct 1, 2000	Oct 3, 1999
IDENTIFIABLE ASSETS:		
North American retail	\$ 664,773	\$ 587,823
All other business units	165,702	97,544
General corporate assets	662,656	567,147
Total assets	\$1,493,131	\$1,252,514

The tables below represent information by geographic area (in thousands):

Fiscal year ended	Oct 1, 2000	Oct 3, 1999	Sept 27, 1998
REVENUES FROM EXTERNAL CUSTOMERS:			
United States	\$1,940,723	\$1,490,133	\$1,173,982
Foreign countries	228,495	190,012	134,720
Total	\$2,169,218	\$1,680,145	\$1,308,702

Revenues from foreign countries are based on the location of the customers and consist primarily of revenues from Canada and the United Kingdom. No customer accounts for 10% or more of the Company's revenues.

	Oct 1, 2000	Oct 3, 1999
LONG-LIVED ASSETS:		
United States	\$819,200	\$680,344
Foreign countries	111,559	79,945
Total	\$930,759	\$760,289

Assets attributed to foreign countries are based on the country in which those assets are located.

NOTE 17: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for fiscal years 2000 and 1999 is as follows (in thousands, except earnings per share):

	FIRST	SECOND	THIRD	FOURTH
2000 quarter:				
Net revenues	\$526,982	\$504,698	\$555,546	\$581,992
Gross margin	288,580	281,449	314,420	331,209
Net earnings	34,749	23,406	34,913	1,496
Net earnings per common share -- diluted	\$ 0.18	\$ 0.12	\$ 0.18	\$ 0.01
1999 quarter:				
Net revenues	\$405,638	\$375,822	\$423,792	\$474,893
Gross margin	219,338	205,865	238,772	275,160
Net earnings	26,733	17,957	24,635	32,368
Net earnings per common share -- diluted	\$ 0.14	\$ 0.10	\$ 0.13	\$ 0.17

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Starbucks Corporation is responsible for the preparation and integrity of the financial statements included in this Annual Report to Shareholders. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best judgment where necessary. Financial information included elsewhere in this Annual Report is consistent with these financial statements.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded in the Company's records, that assets are safeguarded and that accountability for assets is maintained. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed benefits expected to be derived from the system. Internal controls and procedures are periodically reviewed and revised, when appropriate, due to changing circumstances and requirements.

Independent auditors are appointed by the Company's Board of Directors and ratified by the Company's shareholders to audit the financial statements in accordance with auditing standards generally accepted in the United States of America and to independently assess the fair presentation of the Company's financial position, results of operations and cash flows. Their report appears in this Annual Report.

The Audit Committee, all of whose members are outside directors, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets periodically with management and the independent auditors to ensure that each is properly discharging its responsibilities. The independent auditors have full and free access to the Committee without the presence of management to discuss the results of their audits, the adequacy of internal accounting controls and the quality of financial reporting.

/s/ ORIN C. SMITH /s/ MICHAEL CASEY

ORIN C. SMITH MICHAEL CASEY

president and executive vice president, chief executive officer chief financial officer and

chief administrative officer

STARBUCKS CORPORATION

(Seattle, Washington)

We have audited the accompanying consolidated balance sheets of Starbucks Corporation and subsidiaries (the Company) as of October 1, 2000, and October 3, 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended October 1, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Starbucks Corporation and subsidiaries as of October 1, 2000, and October 3, 1999, and the results of their operations and their cash flows for each of the three years in the period ended October 1, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Seattle, Washington

December 8, 2000

SHAREHOLDER INFORMATION

MARKET INFORMATION AND DIVIDEND POLICY

The Company's Common Stock is traded on the National Market tier of The Nasdaq Stock Market, Inc. ("Nasdaq"), under the symbol "SBUX". The following table sets forth the quarterly high and low closing sale prices per share of the Common Stock as reported by Nasdaq for each quarter during the last two fiscal years. All prices shown reflect the two-for-one stock split effected March 19, 1999.

	HIGH	LOW
October 1, 2000:		
First Quarter	\$30.13	\$21.56
Second Quarter	44.81	23.88
Third Quarter	43.44	28.31
Fourth Quarter	43.56	35.13
October 3, 1999:		
First Quarter	\$26.69	\$16.56
Second Quarter	30.69	23.28
Third Quarter	39.75	28.06
Fourth Quarter	37.56	20.06

As of December 11, 2000, the Company had 8,814 shareholders of record. The Company has never paid any dividends on its Common Stock. The Company presently intends to retain earnings for use in its business and, therefore, does not anticipate paying a cash dividend in the near future.

THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED OCTOBER 1, 2000, WITHOUT THE EXHIBITS THERETO, MAY BE OBTAINED WITHOUT CHARGE BY ACCESSING THE COMPANY'S FILINGS AT WWW.SEC.GOV OR BY SENDING A REQUEST TO INVESTOR RELATIONS AT THE ADDRESS OR PHONE NUMBER BELOW.

Quarterly information is available to all shareholders immediately upon its release, free of charge, via fax, by calling (800) 239-0317 or through access on the Internet at www.businesswire.com/cnn/sbux.htm. To receive a copy by mail, please send your request to:

INVESTOR RELATIONS

Investor Relations - - M/S S- FP1
Starbucks Corporation
P.O. Box 34067
Seattle, WA 98124- 1067
(206) 447- 1575, ext. 87118

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT
Starbucks New Venture Company
Starbucks Coffee International, Inc.

Starbucks Holding Company

Starbucks Manufacturing Corporation
SBI Nevada, Inc.
(a wholly-owned subsidiary of Starbucks Coffee International, Inc.)
Circadia Corporation
Starbucks U.S. Brands Corporation

Starbucks Asset Management Corporation
(a wholly-owned subsidiary of Starbucks U.S. Brands Corporation)

Starbucks Foreign Sales Corporation

Starbucks Coffee Holdings (UK) Limited
Starbucks Coffee Company (UK) Limited
(a wholly-owned subsidiary of Starbucks Coffee Holdings (UK) Limited)
Seattle Coffee Company (International) Limited
(a wholly-owned subsidiary of Starbucks Coffee Holdings (UK) Limited)
Torz & Macatonia Limited
(a wholly-owned subsidiary of Starbucks Coffee Holdings (UK) Limited)

Tazo Tea Company

Starbucks Coffee France, EURL

(a wholly- owned subsidiary of Starbucks Coffee International, Inc.)

Starbucks Coffee Asia Pacific Limited
(a wholly-owned subsidiary of Starbucks Coffee International, Inc.)
Starbucks Coffee Company (Australia) Pty Ltd
HM Interactive Corporation
Coffee Partners Co., Ltd.

Urban Coffee Opportunities, LLC

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 33- 52524, 33- 52526, 33- 52528, 33- 92208, 33- 92184, 333- 65181, 333- 94987 and 333- 37442 of Starbucks Corporation on Forms S- 8 of our report dated December 8, 2000, incorporated by reference in and attached as part of an exhibit to the Annual Report on Form 10- K of Starbucks Corporation for the year ended October 1, 2000.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Seattle, Washington

December 20, 2000

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM STARBUCKS CORPORATION'S FISCAL YEAR ENDED 10/1/00 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>

YEAR

<FISCAL-YEAR-END>

OCT-01-2000

<PERIOD-START>

OCT-04-1999

<PERIOD-END>

OCT-01-2000

<CASH>

70,817

<SECURITIES>

61,336

<RECEIVABLES>

79,326

<ALLOWANCES>

2,941

<INVENTORY>

201,656

<CURRENT-ASSETS>	459,819
<PP&E>	1,377,162
<DEPRECIATION>	446,403
<TOTAL-ASSETS>	1,493,131
<CURRENT-LIABILITIES>	313,251
<BONDS>	6,483
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	750,872
<OTHER-SE>	397,527
<TOTAL-LIABILITY-AND-EQUITY>	1,493,131
<SALES>	2,169,218
<TOTAL-REVENUES>	2,169,218
<CGS>	953,560
<TOTAL-COSTS>	953,560
<OTHER-EXPENSES>	1,003,406
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	411
<INCOME-PRETAX>	160,570
<INCOME-TAX>	66,006
<INCOME-CONTINUING>	94,564
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	94,564
<EPS-BASIC>	.51
<EPS-DILUTED>	.49