UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended January 2, 2011

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	**91-1325671**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

2401 Utah Avenue South, Seattle, Washington 98134
(Address of principal executive offices)

(206) 447-1575
(Registrant's Telephone Number, including Area Code)

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of January 28, 2011
Common Stock, par value $0.001 per share	746.0 million

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STARBUCKS CORPORATION
FORM 10-Q
For the Quarterly Period Ended January 2, 2011
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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)
(unaudited)

Fiscal Year Ended	13 Weeks Ended Jan 2, 2011	13 Weeks Ended Dec 27, 2009
Net revenues:		
Company-operated retail	$2,451.3	$2,292.9
Specialty:		
Licensing	378.8	326.1
Foodservice and other	120.7	103.7
Total specialty	499.5	429.8
Total net revenues	2,950.8	2,722.7
Cost of sales including occupancy costs	1,200.8	1,145.7
Store operating expenses	905.7	896.1
Other operating expenses	92.5	71.9
Depreciation and amortization expenses	127.8	130.6
General and administrative expenses	156.6	136.9
Restructuring charges	0.0	18.3
Total operating expenses	2,483.4	2,399.5
Income from equity investees	34.5	29.4
Operating income	501.9	352.6
Interest income and other, net	14.4	25.1
Interest expense	(7.9)	(8.2)
Earnings before income taxes	508.4	369.5
Income taxes	160.8	126.0
Net earnings including noncontrolling interests	347.6	243.5
Net earnings attributable to noncontrolling interests	1.0	2.0
Net earnings attributable to Starbucks	$346.6	$241.5
Earnings per share - basic	$0.46	$0.32
Earnings per share - diluted	$0.45	$0.32
Weighted average shares outstanding:		
Basic	745.7	744.2
Diluted	766.7	762.9
Cash dividends declared per share	$0.13	$0.00

See Notes to Condensed Consolidated Financial Statements

STARBUCKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)
(unaudited)

	Jan 2, 2011	Oct 3, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$1,792.0	$1,164.0
Short-term investments — available-for-sale securities	204.5	236.5
Short-term investments — trading securities	54.1	49.2
Accounts receivable, net	316.1	302.7
Inventories	620.5	543.3
Prepaid expenses and other current assets	151.0	156.5
Deferred income taxes, net	262.2	304.2
Total current assets	3,400.4	2,756.4
Long-term investments — available-for-sale securities	130.6	191.8
Equity and cost investments	352.9	341.5
Property, plant and equipment, net	2,393.6	2,416.5
Other assets	317.9	346.5
Other intangible assets	71.9	70.8
Goodwill	263.8	262.4
TOTAL ASSETS	$6,931.1	$6,385.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	296.8	282.6
Accrued compensation and related costs	306.6	400.0
Accrued occupancy costs	163.7	173.2
Accrued taxes	115.8	100.2
Insurance reserves	151.3	146.2
Other accrued liabilities	314.0	262.8
Deferred revenue	608.2	414.1
Total current liabilities	1,956.4	1,779.1
Long-term debt	549.4	549.4
Other long-term liabilities	365.0	375.1
Total liabilities	2,870.8	2,703.6
Shareholders' equity:		
Common stock ($0.001 par value) — authorized, 1,200.0 shares; issued and outstanding, 748.8 and 742.6 shares, respectively (includes 3.4 common stock units in both periods)	0.7	0.7
Additional paid-in capital	228.9	106.2
Other additional paid-in-capital	39.4	39.4
Retained earnings	3,720.1	3,471.2
Accumulated other comprehensive income	62.6	57.2
Total shareholders' equity	4,051.7	3,674.7
Noncontrolling interests	8.6	7.6
Total equity	4,060.3	3,682.3
TOTAL LIABILITIES AND EQUITY	$6,931.1	$6,385.9

See Notes to Condensed Consolidated Financial Statements

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	13 weeks ended	
	Jan 2, 2011	Dec 27, 2009
OPERATING ACTIVITIES:		
Net earnings including noncontrolling interests	$347.6	$243.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	135.3	138.2
Provision for impairments and asset disposals	17.2	37.2
Deferred income taxes, net	53.7	1.0
Equity in income of investees	(25.3)	(16.3)
Distributions of income from equity investees	17.9	21.2
Stock-based compensation	36.5	24.3
Tax benefit from exercise of stock options	11.9	5.3
Excess tax benefit from exercise of stock options	(36.6)	(8.6)
Other	(3.8)	(7.3)
Cash provided/(used) by changes in operating assets and liabilities:		
Inventories	(77.6)	120.7
Accounts payable	15.4	(43.8)
Accrued taxes	37.6	69.5
Deferred revenue	193.0	180.3
Other operating assets	20.9	38.8
Other operating liabilities	(70.1)	(35.3)
Net cash provided/(used) by operating activities	673.6	768.7
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(21.0)	(9.6)
Maturities and calls of available-for-sale securities	113.8	21.8
Acquisitions, net of cash acquired	0.0	(10.6)
Net purchases of equity, other investments and other assets	(0.7)	(1.9)
Additions to property, plant and equipment, net	(128.9)	(99.7)
Net cash provided/(used) by investing activities	(36.8)	(100.0)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	62.3	38.1
Excess tax benefit from exercise of stock options	36.6	8.6
Principal payments on long-term debt	0.0	(6.5)
Cash dividends paid	(96.9)	0.0
Repurchase of common stock	(11.8)	0.0
Other	(0.1)	(0.4)
Net cash provided/(used) by financing activities	(9.9)	39.8
Effect of exchange rate changes on cash and cash equivalents	1.1	(2.0)
Net increase/(decrease) in cash and cash equivalents	628.0	706.5
CASH AND CASH EQUIVALENTS:		
Beginning of period	1,164.0	599.8
End of period	$1,792.0	$1,306.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of capitalized interest	$0.0	$0.0
Income taxes	$49.2	$52.2

See Notes to Condensed Consolidated Financial Statements

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STARBUCKS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 13 Weeks Ended January 2, 2011
(unaudited)

Note 1: Summary of Significant Accounting Policies

Financial Statement Preparation

The unaudited condensed consolidated financial statements as of January 2, 2011, and for the 13-week periods ended January 2, 2011 and December 27, 2009, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial information for the 13-week periods ended January 2, 2011 and December 27, 2009 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q ("10-Q") Starbucks Corporation is referred to as "Starbucks," the "Company," "we," "us" or "our".

The financial information as of October 3, 2010 is derived from our audited consolidated financial statements and notes for the fiscal year ended October 3, 2010 ("fiscal 2010"), included in Item 8 in the Fiscal 2010 Annual Report on Form 10-K (the "10-K"). The information included in this 10-Q should be read in conjunction with the footnotes and management's discussion and analysis of the financial statements in the 10-K.

The results of operations for the 13-week period ended January 2, 2011 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending October 2, 2011 ("fiscal 2011").

Recent Accounting Pronouncements

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. We adopted this new guidance effective at the beginning of the first quarter of fiscal 2011, with no impact on our financial statements.

Note 2: Derivative Financial Instruments

Cash Flow Hedges

Net derivative losses of $17.6 million and $13.9 million, net of taxes, were included in accumulated other comprehensive income as of January 2, 2011 and October 3, 2010, respectively, related to cash flow hedges. Of the net derivative losses accumulated as of January 2, 2011, $8.9 million pertain to hedging instruments that will be dedesignated within 12 months and will also continue to experience fair value changes before affecting earnings. Ineffectiveness from hedges that were discontinued during the year-to-date periods in fiscal 2011 and 2010 was not material. Outstanding contracts will expire within 33 months.

Net Investment Hedges

Net derivative losses of $28.9 million and $26.7 million, net of taxes, were included in accumulated other comprehensive income as of January 2, 2011 and October 3, 2010, respectively, related to net investment derivative hedges. Outstanding contracts will expire within 27 months.

Other Derivatives

To mitigate the translation risk of certain balance sheet items, we enter into certain foreign currency forward contracts that are not designated as hedging instruments. These contracts are recorded at fair value, with the changes in fair value recognized in net interest income and other on the consolidated statements of earnings. Gains and losses from these instruments are largely offset by the financial impact of translating foreign currency denominated payables and receivables, which are also recognized in net interest income and other.

We also enter into certain swap and futures contracts from time to time that are not designated as hedging instruments to mitigate the price uncertainty of a portion of our future purchases of dairy products and diesel fuel. These contracts are recorded at fair value, with the changes in fair value recognized in net interest income and other on the consolidated statement of earnings.

The following table presents the pretax effect of derivative instruments on other comprehensive income and earnings for the 13-week period ended (*in millions*):

	Cash Flow Hedges		Net Investment Hedges		Other Derivatives	
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
Gain/(Loss) recognized in earnings	($2.8)	($1.0)	$0.0	$0.0	$1.7	($1.4)
Gain/(Loss) recognized in OCI	($8.2)	($6.4)	($3.5)	$1.3		

Notional amounts of outstanding derivative contracts as of January 2, 2011:

- $601 million in foreign exchange contracts
- $23 million in dairy contracts

Note 3: Investments

Fair value of investments *(in millions)* :

	Jan 2, 2011	Oct 3, 2010
Short-term investments:		
Available-for-sale securities - Agency obligations	$27.0	$30.0
Available-for-sale securities - Corporate debt securities	37.6	15.0
Available-for-sale securities - State and local government obligations	0.0	0.7
Available-for-sale securities - Government treasury securities	139.9	190.8
Trading securities	54.1	49.2
Total short-term investments	$258.6	$285.7
Long-term investments:		
Available-for-sale securities – Agency obligations	$0.0	$27.0
Available-for-sale securities - Corporate debt securities	93.7	123.5
Available-for-sale securities - State and local government obligations	36.9	41.3
Total long-term investments	$130.6	$191.8

Gross unrealized holding gains and losses were not material at January 2, 2011 and October 3, 2010.

In the first quarter of fiscal 2011, $5.8 million of our auction rate securities (“ARS”), which are included in long-term available-for-sale state and local government obligations, were called at par.

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Note 4: Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis (in millions):

	Balance at Jan 2, 2011	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$335.1	$139.9	$158.3	$36.9
Trading securities	54.1	54.1	0.0	0.0
Total	$389.2	$194.0	$158.3	$36.9
Liabilities:				
Derivatives	$39.8	$0.0	$39.8	$0.0

	Balance at Oct 3, 2010	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$428.3	$190.8	$196.2	$41.3
Trading securities	49.2	49.2	0.0	0.0
Total	$477.5	$240.0	$196.2	$41.3
Liabilities:				
Derivatives	$34.7	$0.0	$34.7	$0.0

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

Financial instruments measured using level 3 inputs described above are comprised entirely of our ARS. Changes in this balance relate primarily to calls of certain of our ARS as discussed in Note 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis (in millions)

Assets and liabilities recognized or disclosed at fair value in the financial statements on a nonrecurring basis include items such as property, plant and equipment, equity and cost method investments, and other assets. These assets are measured at fair value if determined to be impaired.

During the 13 weeks ended January 2, 2011 and December 27, 2009, we recognized fair market value adjustments with a charge to earnings for these assets as follows:

13 weeks ended January 2, 2011	Carrying Value before adjustment	Fair value adjustment	Carrying value after adjustment
Property, plant and equipment (1)	$1.1	($0.9)	$0.2
Other assets (2)	$24.2	($14.0)	$10.2

13 weeks ended December 27, 2009	Carrying Value before adjustment	Fair value adjustment	Carrying value after adjustment
Property, plant and equipment (1)	$13.9	($11.1)	$2.8
Equity and cost investments (3)	$9.6	($7.5)	$2.1

(1) These assets primarily consist of leasehold improvements in underperforming stores. The fair value was determined using a discounted cash flow model based on future store revenues and operating costs, using internal projections. The resulting impairment charge was included in store operating expenses.

(2) The fair value was determined using a discounted cash flow model based on future expected revenues and operating costs, using internal projections. The resulting impairment charge was included in other operating expenses.

(3) The fair value was determined using valuation techniques, including discounted cash flows, comparable transactions, and comparable company analyses. The resulting impairment charge was included in other operating expenses.

Fair Value of Other Financial Instruments

The carrying value of cash and cash equivalents approximates fair value because of the short-term nature of those instruments. The estimated fair value of the $550 million of 6.25% Senior Notes was approximately $618 million and $637 million as of January 2, 2011 and October 3, 2010, respectively.

Note 5: Inventories *(in millions)*

	Jan 2, 2011	Oct 3, 2010	Dec 27, 2009
Coffee:			
Unroasted	$336.3	$238.3	$289.6
Roasted	89.7	95.1	76.1
Other merchandise held for sale	105.6	115.6	94.9
Packaging and other supplies	88.9	94.3	84.3
Total	$620.5	$543.3	$544.9

Inventory levels vary due to seasonality driven primarily by the holiday season, commodity market supply and price variations, and changes in our use of fixed-price and price-to-be-fixed coffee contracts.

As of January 2, 2011, we had committed to purchasing green coffee totaling $477 million under fixed-price contracts and an estimated $184 million under price-to-be-fixed contracts. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date at which the base “C” coffee commodity price component will be fixed has not yet been established. For these types of contracts, either Starbucks or the seller has the option to “fix” the base “C” coffee commodity price prior to the delivery date. Until prices are fixed, we estimate the total cost of these purchase commitments. We believe, based on relationships established with our suppliers in the past, the risk of non-delivery on these purchase commitments is remote.

Note 6: Property, Plant and Equipment *(in millions)*

	Jan 2, 2011	Oct 3, 2010
Land	$58.0	$58.0
Buildings	267.8	265.7
Leasehold improvements	3,467.7	3,435.6
Store equipment	1,072.7	1,047.7
Roasting equipment	290.6	290.6
Furniture, fixtures and other	626.6	617.5
Work in progress	173.4	173.6
	5,956.8	5,888.7
Less accumulated depreciation	(3,563.2)	(3,472.2)
Property, plant and equipment, net	$2,393.6	$2,416.5

Note 7: Other Liabilities *(in millions)*

	Jan 2, 2011	Oct 3, 2010
Accrued dividend payable	97.3	96.5
Other	216.7	166.3
Total other accrued liabilities	$314.0	$262.8
Deferred rent	$234.9	$239.7
Unrecognized tax benefits	56.0	65.1
Asset retirement obligations	48.5	47.7
Other	25.6	22.6
Total other long term liabilities	$365.0	$375.1

Note 8: Equity

Components of total equity *(in millions)* :

	13 Weeks Ended	
	Jan 2, 2011	Dec 27, 2009
Beginning balance of total equity	$ 3,682.3	$ 3,056.9
Net earnings including noncontrolling interest	347.6	243.5
Other comprehensive income / (loss)	5.4	(7.2)
Comprehensive income	353.0	236.3
Stock-based compensation expense	37.1	24.3
Exercise of stock options	92.5	41.9
Sale of common stock	4.9	5.1
Repurchase of common stock	(11.8)	-
Cash dividends declared	(97.7)	-
Net distributions to noncontrolling interests	-	(0.4)
Ending balance of total equity	$ 4,060.3	$ 3,364.1

Changes in noncontrolling interests for the 13 weeks ended January 2, 2011 and December 27, 2009 are not presented as they were not material.

In addition to 1.2 billion shares of authorized common stock with $0.001 par value per share, the Company has authorized 7.5 million shares of preferred stock, none of which was outstanding as of January 2, 2011.

Share repurchase activity during the first quarter of fiscal 2011 *(in millions, except for average price data)* :

Number of shares acquired	0.4
Average price per share of acquired shares	$30.63
Total cost of acquired shares	$11.8

As of January 2, 2011, 9.7 million shares remained available for repurchase under the current authorization. The Company did not repurchase any shares during the first quarter of fiscal 2010.

During the first quarter of fiscal 2011, Starbucks Board of Directors declared a quarterly cash dividend to shareholders of $0.13 per share to be paid on February 25, 2011, to shareholders of record on the close of business on February 9, 2011. The accrued dividend payable of $97.3 million is recorded in other accrued liabilities on the consolidated balance sheet.

Components of accumulated other comprehensive income, net of tax *(in millions)* :

	Jan 2, 2011	Oct 3, 2010
Net unrealized gains / (losses) on available-for-sale securities	$ (0.7)	$ (0.9)
Net unrealized gains / (losses) on hedging instruments	(46.5)	(40.5)
Translation adjustment	109.8	98.6
Accumulated other comprehensive income	$ 62.6	$ 57.2

Note 9: Employee Stock Plans

As of January 2, 2011, there were 23.8 million shares of common stock available for issuance pursuant to future equity-based compensation awards and employee stock purchase plans ("ESPP").

Stock-based compensation expense recognized in the consolidated statement of earnings (*in millions*):

	13 Weeks Ended	
	Jan 2, 2011	Dec 27, 2009
Options	$ 17.9	$ 17.9
RSUs	18.6	6.4
Total stock-based compensation	$ 36.5	$ 24.3

Value of awards granted and exercised during the period:

	13 Weeks Ended	
	Jan 2, 2011	Dec 27, 2009
Estimated fair value per option granted	$ 9.40	$ 8.34
Weighted average option grant price	$ 30.79	$ 22.07
Weighted average price per option exercised	$ 13.62	$ 11.86
Weighted average RSU grant price	$ 30.79	$ 22.05

Stock option and RSU transactions from October 3, 2010 through January 2, 2011 (*in millions*):

	Stock Option	RSUs
Options outstanding/Nonvested RSUs, October 3, 2010	60.7	5.4
Options/RSUs granted	3.8	5.2
Options exercised/RSUs vested	(5.2)	(1.6)
Options/RSUs forfeited/expired	(1.2)	(0.2)
Options outstanding/Nonvested RSUs, January 2, 2011	58.1	8.8
Total unrecognized stock-based compensation expense, net of estimated forfeitures, as of January 2, 2011	$ 79	$ 116

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Note 10: Earnings Per Share

Calculation of net earnings per common share ("EPS") — basic and diluted (*in millions, except EPS*):

	13 Weeks Ended	
	Jan 2, 2011	Dec 27, 2009
Net earnings attributable to Starbucks	$346.6	$241.5
Weighted average common shares and common stock units outstanding (for basic calculation)	745.7	744.2
Dilutive effect of outstanding common stock options and RSUs	21.0	18.7
Weighted average common and common equivalent shares outstanding (for diluted calculation)	766.7	762.9
EPS — basic	$0.46	$0.32
EPS — diluted	$0.45	$0.32

Potential dilutive shares consist of the incremental common shares issuable upon the exercise of outstanding stock options (both vested and non-vested) and unvested RSUs, using the treasury stock method. Potential dilutive shares are excluded from the computation of earnings per share if their effect is antidilutive. The number of antidilutive options totaled 7 million and 21 million for the 13-week periods ended January 2, 2011 and December 27, 2009, respectively.

Note 11: Commitments and Contingencies

Legal Proceedings

In the first quarter of fiscal 2011, Starbucks notified Kraft Foods Global, Inc. ("Kraft") that we are discontinuing our licensing relationships with Kraft on March 1, 2011 due to material breaches by Kraft of its obligations under the Supply and License Agreement between the Company and Kraft, dated March 29, 2004 (the "Agreement"), which defines the main licensing relationship between the parties. Through our relationships with Kraft, Starbucks sells a selection of Starbucks and Seattle's Best Coffee® branded packaged coffees in grocery and warehouse club stores throughout the US, and to grocery stores in Canada, the UK and other European countries. Kraft manages the distribution, marketing, advertising and promotion of these products.

On November 29, 2010, Starbucks received a notice of arbitration from Kraft putting the commercial dispute between the parties into binding arbitration pursuant to the terms of the Agreement. Kraft denies it has materially breached the Agreement. Kraft further alleges that if the Company wishes to terminate the Agreement it must compensate Kraft as provided in the Agreement in an amount equal to the fair value of the Agreement, with an additional premium of up to 35% under certain circumstances.

On December 6, 2010 Kraft commenced a federal court action against Starbucks, entitled *Kraft Foods Global, Inc. v. Starbucks Corporation* , in the U.S. District Court for the Southern District of New York (the "District Court") seeking injunctive relief to prevent Starbucks from terminating the relationship until the parties' dispute is resolved through the arbitration proceeding. On January 28, 2011, the District Court denied Kraft's request for injunctive relief. Kraft has appealed the District Court's decision and is seeking expedited consideration of its appeal by the Second Circuit Court of Appeals.

While Starbucks believes we have valid claims of material breach by Kraft under the Agreement that allow us to terminate the Agreement and certain other relationships with Kraft without compensation to Kraft, there exists the possibility of material adverse outcomes to Starbucks under the arbitration. At this time the Company is unable to estimate the range of possible outcomes with respect to this matter.

Starbucks is party to various other legal proceedings arising in the ordinary course of business, but, except as noted above, is not currently a party to any legal proceeding that management believes could have a material adverse effect on our consolidated financial position or results of operations.

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Note 12: Segment Reporting

Segment information is prepared on the same basis that management reviews financial information for operational decision making purposes. The tables below present information by operating segment (*in millions*):

13 Weeks Ended					
January 2, 2011	**United States**	**International**	**CPG**	**Other**	**Total**
Total net revenues	$ 2,067.7	$ 640.0	$ 195.2	$ 47.9	$2,950.8
Depreciation and amortization expenses	86.7	27.8	0.8	12.5	127.8
Income (loss) from equity investees	0.0	20.3	14.4	(0.2)	34.5
Operating income/(loss)	452.5	104.5	67.5	(122.6)	501.9
December 27, 2009					
Total net revenues	$ 1,923.5	$ 588.7	$ 174.3	$ 36.1	$2,722.7
Depreciation and amortization expenses	89.6	28.2	1.0	11.8	130.6
Income (loss) from equity investees	0.0	17.0	12.4	0.0	29.4
Operating income/(loss)	334.2	42.9	63.9	(88.4)	352.6

The following table reconciles the total of operating income in the table above to consolidated earnings before income taxes *(in millions)* :

13 Weeks Ended	**Jan 2, 2011**	**Dec 27, 2009**
Operating income	$ 501.9	$ 352.6
Interest income and other, net	14.4	25.1
Interest expense	(7.9)	(8.2)
Earnings before income taxes	$ 508.4	$ 369.5

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Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

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

Certain statements herein, including statements regarding trends in or expectations relating to the expected effects of our initiatives and plans, as well as trends in or expectations regarding, earnings per share, revenues, operating margins, comparable store sales, expenses, dividends, share repurchases, other financial results, capital expenditures, scaling and expansion of the international business; restructuring charges, profitable growth opportunities, commodity costs and our mitigation strategies, transitioning from our relationship with Kraft; liquidity, cash flow from operations, anticipated store openings and closings, tax rates, and economic conditions in the US and other international markets all 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, dairy and other raw materials prices and availability, successful execution of our initiatives, successful execution of internal plans, fluctuations in US and international economies and currencies, the impact of competitors' initiatives, the effect of legal proceedings, and other risks detailed in our filings with the SEC, including Part I Item IA. "Risk Factors" in the 10-K.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

This information should be read in conjunction with the condensed consolidated financial statements and the notes included in Item 1 of Part I of this 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the 10-K.

General

Our fiscal year ends on the Sunday closest to September 30. All references to store counts, including data for new store openings, are reported net of store closures, unless otherwise noted.

Overview

Starbucks results for the fiscal first quarter of 2011 demonstrate the ongoing success of our efforts over the last two years to improve the health of our core business and to position the Company for sustained, profitable growth into the future. Strong global comparable stores sales growth of 7% for the fiscal first quarter (US 8% and International 5%), combined with a more disciplined and efficient operating structure, drove increased sales leverage and resulted in higher operating margins and net earnings. Significantly higher coffee costs, which typically approximate 7% of consolidated revenues, were the largest factor pressuring results for the quarter and we expect these higher coffee costs to have a continued impact on our business.

In our US business we continued to refine our store efficiency efforts, including the final rollout of our new point-of-sale and inventory management systems in our company-operated stores, while maintaining strong levels of customer satisfaction.

The profitability of our international business continues to improve, reaching record levels in the first quarter of fiscal 2011 for revenues, operating income and operating margin. We continue to leverage the valuable lessons learned from the turnaround of our US business, and continue to make progress on scaling the infrastructure of this segment. We are aggressively pursuing the profitable expansion opportunities that exist outside the US, including disciplined growth and scale in our more mature markets, and faster expansion in key emerging markets like China and Brazil.

Our global consumer products group ("CPG") represents another important profitable growth opportunity for us as we accelerate both product innovation and distribution, and we transition our packaged coffee and tea businesses to an in-house model and away from the current licensing agreement. We are aggressively pursuing the opportunities beyond our more traditional store experience to offer consumers new coffee and other products in multiple forms, across new categories, and through diverse channels, leveraging our strong brand and established retail store base. Examples include the ongoing global expansion of our successful Starbucks VIA ® Ready Brew product and the introduction of new products such as Starbucks ® Natural Fusions line of premium flavored coffee.

Financial Highlights for the First Quarter of Fiscal 2011 — Consolidated

- Total net revenues increased 8% to $3.0 billion.
- Comparable store sales increased 7%, driven by a 5% increase in traffic and a 2% increase in average ticket
    - U.S. comparable store sales increased 8%, driven by a 6% increase in traffic and a 2% increase in average ticket.

- International comparable store sales increased 5%, driven by a 2% increase in both traffic and average ticket.
- Consolidated operating margin improved to 17%: up 400 basis points over the prior year.
  - U.S. operating margin improved to 21.9%: up 450 basis points over the prior year.
  - International operating margin improved to 16.3%: up 900 basis points over the prior year.
- EPS increased 41% to $0.45 in Q1 fiscal 2011 compared to $0.32 in Q1 fiscal 2010.
- Cash flow from operations was $674 million compared to $769 million in the prior year.

Fiscal 2011 — Financial Outlook for the Year

For fiscal year 2011, we expect revenues to grow in the mid-to-high single digits based on a 52-week comparable year, driven by low to mid single-digit comparable store sales growth. We plan to open approximately 500 net new stores globally in fiscal 2011: approximately 100 in the U.S. and approximately 400 internationally, the majority of which are expected to be licensed stores.

We expect continued improvement in our consolidated operating margin in fiscal 2011 compared to the prior year, given our current revenue expectations and sales leverage, and the absence of restructuring charges in fiscal 2011, offset in part by higher coffee costs. In order to mitigate the risk of higher coffee prices on our results for fiscal 2011 we have essentially locked in all of our coffee costs for the remainder of the year with fixed-price purchase commitments.

We expect capital expenditures to be approximately $550 million to $600 million for the full year.

Results of Operations for the 13 Weeks Ended January 2, 2011 and December 27, 2009 (in millions)

Results of Operations Details — Consolidated

Revenues:

	13 Weeks Ended		
	Jan 2, 2011	Dec 27, 2009	% Change
Company-operated retail	$2,451.3	$2,292.9	6.9%
Specialty:			
Licensing	378.8	326.1	16.2
Foodservice and other	120.7	103.7	16.4
Total specialty	499.5	429.8	16.2
Total net revenues	**$2,950.8**	**$2,722.7**	**8.4%**

Net revenues for the 13 weeks ended January 2, 2011 increased $228 million, compared to the corresponding period in fiscal 2010, primarily driven by increases in company-operated retail operations (contributing approximately $158 million).

We derived 83% of total net revenues from our company-operated retail stores during the first quarter of fiscal 2011. For the 13 weeks ended January 2, 2011, the increase in consolidated net revenues was driven by a 7%, or $159 million, increase in comparable store sales. The increase in comparable store sales was due to a 5% increase in the number of transactions (contributing approximately $112 million) and a 2% increase in average ticket (contributing approximately $47 million).

For the first quarter of fiscal 2011 we derived 17% of total net revenues from channels outside the company-operated retail stores, collectively known as specialty operations. Specialty revenues were higher due to strong royalty and product sales related to our licensees (contributing approximately $38 million), driven by higher comparable store sales and new store openings. Increased sales of approximately $14 million in the packaged coffee business also contributed to the growth in specialty revenues.

Operating Expenses:

	13 Weeks Ended			
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
			% of Total Net Revenues	
Cost of sales including occupancy costs	$1,200.8	$1,145.7	40.7%	42.1%
Store operating expenses	905.7	896.1	30.7	32.9
Other operating expenses	92.5	71.9	3.1	2.6
Depreciation and amortization expenses	127.8	130.6	4.3	4.8
General and administrative expenses	156.6	136.9	5.3	5.0
Restructuring charges	-	18.3	-	0.7
Total operating expenses	2,483.4	2,399.5	84.2	88.1
Income from equity investees	34.5	29.4	1.2	1.1
Operating income	**$501.9**	**$352.6**	**17.0%**	**13.0%**
Supplemental ratios as a % of related revenues:				
Store operating expenses			36.9%	39.1%
Other operating expenses			18.5%	16.7%

Operating margin increased 400 basis points for the 13 weeks ended January 2, 2011, primarily due to lower cost of sales including occupancy costs (140 basis points), lower store operating expenses (220 basis points) and the absence of restructuring charges in the current period (70 basis points).

Cost of sales including occupancy costs as a percentage of total revenues decreased 140 basis points for the 13 weeks ended January 2, 2011 driven by increased sales leverage which contributed to lower occupancy costs as a percentage of total net revenues (approximately 110 basis points) and continued supply chain efficiencies (approximately 40 basis points). Partially offsetting these improvements were higher coffee costs (approximately 60 basis points).

Store operating expenses as a percent of total revenues decreased 220 basis points for the 13 weeks ended January 2, 2011. The decrease was driven by fewer impairments when compared to the prior year (approximately 100 basis points) as well as increased sales leverage which contributed to lower salaries and benefits (approximately 70 basis points).

In fiscal 2010 we completed the store rationalization efforts that we began in fiscal 2008, so there were no restructuring charges for the 13 weeks ended January 2, 2011. As a result our operating margin increased approximately 70 basis points when compared to the prior year period.

Operating income and net earnings:

	13 Weeks Ended			
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
			% of Total Net Revenues	
Operating income	$ 501.9	$ 352.6	17.0%	13.0%
Interest income and other, net	14.4	25.1	0.5	0.9
Interest expense	(7.9)	(8.2)	(0.3)	(0.3)
Earnings before income taxes	508.4	369.5	17.2	13.6
Income taxes	160.8	126.0	5.4	4.6
Net earnings including noncontrolling interests	347.6	243.5	11.8	8.9
Net earnings (loss) attributable to noncontrolling interest	1.0	2.0	0.0	0.1
Net earnings attributable to Starbucks	**$ 346.6**	**$ 241.5**	**11.7%**	**8.9%**
Effective tax rate including noncontrolling interest			31.6%	34.1%

Net interest income and other for the 13 weeks ended January 2, 2011 decreased $11 million compared to the prior year. The decrease was primarily driven by the impact of an accounting gain recorded in the first quarter of fiscal 2010 related to our acquisition of a controlling interest in our previous joint venture operations in France. In accordance with generally accepted accounting principles, the carrying value of the previously held joint venture interest was adjusted to fair value upon the acquisition of the controlling interest.

The effective tax rate for the 13 weeks ended January 2, 2011 was 31.6% as compared to 34.1% for the same period in fiscal 2010. The lower rate was primarily due to an increase in income in foreign jurisdictions with lower tax rates. We currently estimate that our effective tax rate for the full fiscal year 2011 will be in the range of 32% to 33%.

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Operating Segments

Segment information is prepared on the same basis that our management reviews financial information for operational decision-making purposes. The following tables summarize the results of operations by segment:

United States

	13 Weeks Ended			
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
			% of US Net Revenues	
Total net revenues	**$2,067.7**	**$1,923.5**		
Cost of sales including occupancy costs	773.4	748.9	37.4%	38.9%
Store operating expenses	720.1	707.3	34.8	36.8
Other operating expenses	15.3	13.9	0.7	0.7
Depreciation and amortization expenses	86.7	89.6	4.2	4.7
General and administrative expenses	19.7	21.7	1.0	1.1
Restructuring charges	-	7.9	-	0.4
Total operating expenses	1,615.2	1,589.3	78.1%	82.6%
Operating income	**$452.5**	**$334.2**	**21.9%**	**17.4%**
Supplemental ratios as a % of related revenues:				
Store operating expenses			37.6%	39.6%
Other operating expenses			10.0%	10.3%

Total US net revenues increased 7% for the 13 weeks ended January 2, 2011, nearly all due to higher retail revenues from company-operated stores. Company-operated retail revenues increased due to higher comparable store sales of 8%, or $137 million, which was comprised of a 6% increase in the number of transactions (contributing approximately $99 million) and a 2% increase in average ticket (contributing approximately $38 million). Also contributing to the increase in total net revenues was an $18 million increase in specialty revenues resulting from increased royalty and product revenues related to our store licensees and to new store openings.

Cost of sales including occupancy costs as a percentage of total revenues decreased by 150 basis points for the 13 weeks ended January 2, 2011 over the comparable prior year quarter. The decrease resulted primarily from increased leverage on occupancy costs, contributing approximately 80 basis points as a percentage of total revenues. Also contributing to the decrease were supply chain efficiencies (approximately 40 basis points). Partially offsetting these improvements were higher coffee and dairy costs (approximately 70 basis points).

Store operating expenses as a percent of total revenues decreased by 200 basis points for the 13 weeks ended January 2, 2011 over the comparable prior year quarter driven by lower asset impairments (approximately 90 basis points) and lower salaries and benefits as a percent of revenues (approximately 70 basis points). Salaries and benefits declined as a percent of total revenues primarily due to increased sales leverage.

Operating margin expanded 450 basis points for the 13 weeks ended January 2, 2011 driven by the increased sales leverage (approximately 180 basis points) and lower impairment charges (approximately 90 basis points) compared to the prior year quarter. Also contributing to the improvement was the absence of restructuring charges, compared to $8 million in the prior year quarter due to the completion of our restructuring program at the end of fiscal 2010.

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International

	13 Weeks Ended			
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
			% of International Net Revenues	
Total net revenues	**$640.0**	**$588.7**		
Cost of sales including occupancy costs	292.4	280.1	45.7%	47.6%
Store operating expenses	185.6	188.8	29.0	32.1
Other operating expenses	20.1	24.8	3.1	4.2
Depreciation and amortization expenses	27.8	28.2	4.3	4.8
General and administrative expenses	29.9	30.5	4.7	5.2
Restructuring charges	-	10.4	-	1.8
Total operating expenses	555.8	562.8	86.8%	95.6%
Income from equity investees	20.3	17.0	3.2	2.9
Operating income	**$104.5**	**$42.9**	**16.3%**	**7.3%**
Supplemental ratios as a % of related revenues:				
Store operating expenses			34.6%	37.4%
Other operating expenses			19.5%	29.5%

Total international net revenues increased 9% for the 13 weeks ended January 2, 2011 primarily driven by higher retail revenues from company-operated stores. For the 13 weeks ended January 2, 2011, company-operated retail revenue increased $32 million driven by a 5% increase in comparable store sales (contributing approximately $22 million) and a $6 million increase as a result of consolidating our previous joint venture operations in Brazil. The increase in comparable store sales was driven by a 2% increase in the number of transactions (contributing approximately $11 million) and a 2% increase in average ticket (contributing approximately $11 million). Also contributing to the increase in total net revenues was a $19 million increase in specialty revenues resulting from increased royalty revenues and product sales related to our store licensees due to improved comparable store sales growth and the opening of 267 net new licensed stores over the last 12 months.

Cost of sales including occupancy costs as a percentage of total net revenues decreased 190 basis points for the 13 weeks ended January 2, 2011, driven by lower occupancy costs as a percentage of total net revenues, which contributed 150 basis points of the decrease, primarily due to increased sales leverage. Reduced food costs (approximately 30 basis points) and supply chain efficiencies (approximately 30 basis points) also contributed to improvement in cost of sales including occupancy costs. Partially offsetting these improvements were higher coffee costs (approximately 30 basis points).

Store operating expenses as a percent of total net revenues for the 13 weeks ended January 2, 2011 decreased 310 basis points with the majority of the benefit driven by lower asset impairments (approximately 150 basis points). Also contributing to the decrease were lower salaries and benefits as a percentage of revenues (approximately 100 basis points) primarily from increased sales leverage.

Other operating expenses as a percent of total net revenues for the 13 weeks ended January 2, 2011 decreased 110 basis points driven by lower asset impairments when compared to the prior year quarter.

Operating margin increased 900 basis points for the 13 weeks ended January 2, 2011 primarily driven by increased sales leverage (approximately 280 basis points) and lower asset impairments (approximately 260 basis points) when compared to the prior year quarter. Also contributing to the improvement was the absence of restructuring charges compared to $10 million in the prior year quarter.

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Global Consumer Products Group

	13 Weeks Ended			
	Jan 2, 2011	Dec 27, 2009	Jan 2, 2011	Dec 27, 2009
			% of CPG Net Revenues	
Total net revenues	**$195.2**	**$174.3**		
Cost of sales	107.5	95.1	55.1%	54.6%
Other operating expenses	30.5	24.1	15.6	13.8
Depreciation and amortization expenses	0.8	1.0	0.4	0.6
General and administrative expenses	3.3	2.6	1.7	1.5
Total operating expenses	142.1	122.8	72.8%	70.5%
Income from equity investees	14.4	12.4	7.4	7.1
Operating income	**$67.5**	**$63.9**	**34.6%**	**36.6%**

Net revenues increased 12% for the 13 weeks ended January 2, 2011. The increase in net revenues was due to increased sales in the packaged coffee business (contributing approximately $9 million), increased sales of Starbucks VIA ® Ready Brew (contributing approximately $5 million) and increased foodservice sales (contributing approximately $4 million) due primarily to an improved hospitality segment. Operating margin decreased 200 basis points for the 13 weeks ended January 2, 2011. The decrease was primarily due to increased coffee costs (approximately 390 basis points) partially offset by supply chain efficiencies (approximately 200 basis points).

Starbucks continues the process of transitioning from its current licensing relationship with Kraft for its sales of packaged coffee and tea products in grocery and warehouse club stores throughout the US, and to grocery stores in Canada, the UK and other European countries. We successfully transitioned the Tazo tea business and began selling and distributing the brand ourselves in January 2011. We currently expect the transition of the Starbucks and Seattle's Best Coffee brands to occur on March 1, 2011. We are in a commercial dispute with Kraft over our termination of our Supply and License Agreement (the "Agreement") with Kraft and the dispute is currently in binding arbitration pursuant to the terms of the Agreement. For additional details on the status of the commercial dispute between Kraft and Starbucks, see Note 11 to the financial statements in this 10-Q.

Other

	13 Weeks Ended		
	Jan 2, 2011	Dec 27, 2009	% Change
Total net revenues	**$47.9**	**$36.1**	**32.7%**
Cost of sales	27.5	21.6	27.3
Other operating expenses	26.6	9.1	192.3
Depreciation and amortization expenses	12.5	11.8	5.9
General and administrative expenses	103.7	82.0	26.5
Total operating expenses	170.3	124.5	36.8%
Income from equity investees	(0.2)	-	nm
Operating income	**($122.6)**	**($88.4)**	**(38.7)%**

Substantially all of net revenues in Other are generated from the Seattle's Best Coffee operating segment. The increase in revenues for Seattle's Best Coffee was primarily due to sales to new national accounts (contributing approximately $7 million).

Operating expenses included in Other relate to the Seattle's Best Coffee and Digital Ventures businesses as well as expenses pertaining to corporate administrative functions that support our operating segments but are not specifically attributable to or managed by any segment and are not included in the reported financial results of the operating segments. Total operating expenses increased approximately $46 million primarily as a result of increased general and administrative expenses (approximately $22 million) resulting primarily from higher charitable contributions in the current quarter. Also contributing to the increase were higher other operating expenses (approximately $18 million) driven by the impairment of certain long-lived assets.

Financial Condition, Liquidity and Capital Resources

Starbucks cash and short-term investments were $2.0 billion and $1.4 billion as of January 2, 2011 and October 3, 2010, respectively. We actively manage our cash and short-term investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, and return cash to shareholders through common stock dividend payments and share repurchases. Our short-term investments consisted of US Treasury securities, commercial paper, corporate bonds and US Agency securities.

Our portfolio of long-term available for sale securities consists predominantly of high investment-grade corporate bonds, diversified among industries and individual issuers. We also have investments in auction rate securities ("ARS"), all of which are classified as long-term. ARS totaling $37 million and $41 million were outstanding as of January 2, 2011 and October 3, 2010, respectively. The reduction in ARS was due to $6 million in redemptions during the fiscal first quarter with all redemptions done at par. While the ongoing auction failures will continue to limit the liquidity of these ARS investments for some period of time, we do not believe the auction failures will materially impact our ability to fund our working capital needs, capital expenditures, shareholder dividends or other business requirements.

Starbucks $500 million unsecured credit facility is available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases. The credit facility contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio which measures our ability to cover financing expenses. As of January 2, 2011 and October 3, 2010, we were in compliance with each of these covenants. The $550 million of 10-year 6.25% Senior Notes also require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of January 2, 2011 and October 3, 2010, we were in compliance with each of these covenants.

We expect to use our cash and short-term investments, including any potential future borrowings under the credit facility and commercial paper program, to invest in our core businesses, including product innovations and related marketing support, as well as other new business opportunities related to our core businesses. We believe that cash flow generated from operations and existing cash and short-term investments should be sufficient to finance capital requirements for our core businesses as well as shareholder distributions for the foreseeable future. We may use our available cash resources to make proportionate capital contributions to our equity method and cost method investees. Any decisions to increase ownership interest in our equity method investees or licensed operations will be driven by valuation and fit with our ownership strategy. Significant new joint ventures, acquisitions and/or other new business opportunities may require additional outside funding.

Other than normal operating expenses, cash requirements for fiscal 2011 are expected to consist primarily of capital expenditures for remodeling and refurbishment of, and equipment upgrades for, existing company-operated retail stores; systems and technology investments in the stores and in the support infrastructure; and new company-operated retail stores. Total capital expenditures for fiscal 2011 are expected to range from $550 million to $600 million.

During the first quarter of fiscal 2011, Starbucks declared a $0.13 per share cash dividend to shareholders of record as of February 9, 2011, which will be paid on February 25, 2011. Starbucks repurchased 0.4 million shares of common stock ($12 million) during the first quarter of fiscal 2011 under our current share repurchase authorization. The number of remaining shares authorized for repurchase at the end of the first fiscal quarter totaled 9.7 million.

Cash provided by operating activities was $674 million for the first quarter of fiscal 2011 as compared to $769 million for the first quarter of fiscal 2010. The decrease was primarily due to an increase in inventory resulting from higher coffee costs. The decrease was partially offset by higher net earnings for the period.

Cash used by investing activities for the first quarter of fiscal 2011 totaled $37 million as compared to $100 million in the first quarter of fiscal 2010. The decrease results primarily from the maturity of a portion of our short-term investment portfolio. This decrease was partially offset by increased capital expenditure for remodeling and renovating our existing company-operated retail stores, opening new retail stores and investment in information technology systems.

Cash used by financing activities for the first quarter of fiscal 2011 totaled $10 million as compared to $40 million of cash provided by financing activities in the first quarter of fiscal 2010. The change primarily reflects dividend payments and common share repurchases in the first quarter of fiscal 2011, which did not occur in the first quarter of fiscal 2010.

Contractual Obligations

There have been no material changes during the period covered by this 10-Q, outside of the ordinary course of our business, to the contractual obligations specified in the table of contractual obligations included in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 10-K.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Commodity Prices, Availability and General Risk Conditions

Commodity price risk represents our primary market risk, generated by our purchases of green coffee and dairy products, among other items. We purchase, roast and sell high quality whole bean arabica coffee and related products and risk arises from the price volatility of green coffee. In addition to coffee, we also purchase significant amounts of dairy products to support the needs of our company-operated retail stores. The price and availability of these commodities directly impact our results of operations and can be expected to impact future results of operations. For additional details see Product Supply in Item 1 of the 10-K, as well as Risk Factors in Item 1A of the 10-K.

Seasonality and Quarterly Results

Our business is subject to seasonal fluctuations, including fluctuations resulting from the holiday season. Our cash flows from operations are considerably higher in the first fiscal quarter than the remainder of the year. This is largely driven by cash received as Starbucks Cards are purchased and loaded during the holiday season. Since revenues from the Starbucks Card are recognized upon redemption and not when purchased, seasonal fluctuations on the consolidated statements of earnings are much less pronounced. Quarterly results are affected by the timing of the opening of new stores and the closing of existing stores. For these reasons, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 in this 10-Q.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

There has been no material change in the commodity price risk, foreign currency exchange risk, equity security price risk, or interest rate risk discussed in Item 7A of the 10-K.

Item 4. *Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the first quarter of fiscal 2011 we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report (January 2, 2011).

During the first quarter of fiscal 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2, respectively, to this 10-Q.

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PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

In the first quarter of fiscal 2011, Starbucks notified Kraft Foods Global, Inc. (“Kraft”) that we are discontinuing our licensing relationships with Kraft on March 1, 2011 due to material breaches by Kraft of its obligations under the Supply and License Agreement between the Company and Kraft, dated March 29, 2004 (the “Agreement”), which defines the main licensing relationship between the parties. Through our relationships with Kraft, Starbucks sells a selection of Starbucks and Seattle’s Best Coffee ® branded packaged coffees in grocery and warehouse club stores throughout the US, and to grocery stores in Canada, the UK and other European countries. Kraft manages the distribution, marketing, advertising and promotion of these products.

On November 29, 2010, Starbucks received a notice of arbitration from Kraft putting the commercial dispute between the parties into binding arbitration pursuant to the terms of the Agreement. Kraft denies it has materially breached the Agreement. Kraft further alleges that if the Company wishes to terminate the Agreement it must compensate Kraft as provided in the Agreement in an amount equal to the fair value of the Agreement, with an additional premium of up to 35% under certain circumstances.

On December 6, 2010 Kraft commenced a federal court action against Starbucks, entitled *Kraft Foods Global, Inc. v. Starbucks Corporation* , in the U.S. District Court for the Southern District of New York (the “District Court”) seeking injunctive relief to prevent Starbucks from terminating the relationship until the parties’ dispute is resolved through the arbitration proceeding. On January 28, 2011, the District Court denied Kraft’s request for injunctive relief. Kraft has appealed the District Court’s decision and is seeking expedited consideration of its appeal by the Second Circuit Court of Appeals.

While Starbucks believes we have valid claims of material breach by Kraft under the Agreement that allow us to terminate the Agreement and certain other relationships with Kraft without compensation to Kraft, there exists the possibility of material adverse outcomes to Starbucks under the arbitration. At this time the Company is unable to estimate the range of possible outcomes with respect to this matter.

Starbucks is party to various other legal proceedings arising in the ordinary course of business, but, except as noted above, is not currently a party to any legal proceeding that management believes could have a material adverse effect on our consolidated financial position or results of operations.

Item 1A. *Risk Factors*

There have been no material changes to the risk factors previously disclosed in the 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table provides information regarding repurchases by the Company of its common stock during the 13-week period ended January 2, 2011:

ISSUER PURCHASES OF EQUITY SECURITIES

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
Period(1)				
October 4, 2010 — October 31, 2010	-	$ -	-	10,095,392
November 1, 2010 — November 28, 2010	383,800	30.63	383,800	9,711,592
November 29, 2010 — January 2, 2011	-	$ -	-	9,711,592
Total	383,800	$ 30.63	383,800	

(1) Monthly information is presented by reference to Starbucks fiscal months during the first quarter of fiscal 2011.

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(2) Starbucks share repurchase program is conducted under authorizations made from time to time by our Board of Directors. On March 24, 2010 we publicly announced the authorization of 15 million shares and on November 15, 2010 we publicly announced the authorization of up to an additional 10 million shares. These authorizations have no expiration date.

Item 6. ***Exhibits***

		Incorporated by Reference				
Exhibit No.	**Exhibit Description**	**Form**	**File No.**	**Date of First Filing**	**Exhibit**	**Filed Herewith**
10.1	Credit Agreement dated November 17, 2010 among Starbucks Corporation, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other Lenders from time to time a party thereto.	8-K	0-20322	11/19/10	10.1	—
10.2*	Management Deferred Compensation Plan, as amended and restated effective January 1, 2011.	—	—	—	—	X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002	—	—	—	—	X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002	—	—	—	—	X
32	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 USC. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	—	X
101**	The following financial statements from the Company's 10-Q for the fiscal quarter ended January 2, 2011, formatted in XBRL:(i) Condensed Consolidated Statements of Earnings, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows (iv) Notes to Condensed Consolidated Financial Statements	—	—	—	—	—

* Denotes a management contract or compensatory plan or arrangement

** Furnished herewith.

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SIGNATURES

Pursuant to the requirements 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.

February 4, 2011

STARBUCKS CORPORATION

By: /s/ Troy Alstead
Troy Alstead
chief financial officer
and chief administrative officer
Signing on behalf of the registrant and as
principal financial officer

Exhibit 10.2

STARBUCKS CORPORATION

MANAGEMENT DEFERRED COMPENSATION PLAN

ARTICLE 1

PURPOSE; EFFECTIVE DATE

The purpose of this Management Deferred Compensation Plan is to provide current tax planning opportunities as well as supplemental funds for retirement or death for a select group of management or highly compensated Partners of the Company. It is intended that the benefits provided under the Plan will aid in attracting and retaining individuals of exceptional ability. The Plan is a nonqualified deferred compensation plan intended to be an unfunded plan as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

The Company originally adopted the Plan with an effective date of October 1, 1998. The Plan was most recently and amended and restated effective January 1, 2009. This restatement of the Plan is effective January 1, 2011. All amounts earned and vested as of December 31, 2004 shall continue to be governed by the Pre-2005 Plan document in accordance with then applicable law. All amounts contributed, earned, vested or paid from January 1, 2005 through December 31, 2008 shall be governed by the Pre-2005 Plan, as modified by the operations of the Plan during such period in accordance with Section 409A and then applicable IRS guidance (including transition relief).

ARTICLE 2

DEFINITIONS

Whenever used in this document, the following terms shall have the meanings set forth in this Article 2 unless a contrary or different meaning is expressly provided:

2.1 401(k) Plan

"401(k) Plan" means the Starbucks Corporation 401(k) Plan, originally effective January 1, 1988, as it may be amended and restated from time to time.

2.2 Account

"Account" means the separate account established and maintained for each Participant which represents his or her interest in the Plan as of any date, and which consists of the sum of the following Subaccounts, as adjusted for allocations of Earnings, distributions and other factors that may affect the value of such Subaccounts: the Deferral Contributions Account, the Matching Contributions Account, and the Discretionary Contributions Account.

2.3 Affiliates

"Affiliates" means (a) any corporation which, together with Starbucks Corporation, is part of a controlled group of corporations as defined in Code Section 414(b); and (b) any unincorporated trade or business that is under common control with Starbucks Corporation as defined in Code Section 414(c). The applicable percentages for the tests under Code Sections 414(b) and (c) (and Code Section 1563(a), as applicable) shall remain unchanged for purposes of the Plan, to the extent provided in Treasury Regulation Section 1.409A-1(h)(3).

2.4 Base Salary

"Base Salary" means, for the period specified, the amount of Deferrable Compensation that consists of base compensation due a Participant, taking into account only amounts which would be payable in cash and excluding any Bonus Compensation.

2.5 Beneficiary

"Beneficiary" means the person, persons or entity (approved by the Committee) and entitled under Article 8 to receive any Plan benefits payable after a Participant's death.

2.6 Board

"Board" means the Board of Directors of the Company, including any committee of the Board to which the Board has delegated authority with respect to the Plan.

2.7 Bonus Compensation

"Bonus Compensation" means, for the period specified, the amount of bonus paid in connection with the Company's General Management Incentive Plan or the Executive Management Bonus Plan. No other bonus or incentive payment of any type shall be considered Bonus Compensation for purposes of the Plan.

2.8 Class Year Account

"Class Year Account" means each of a Participant's Subaccounts, plus Earnings thereon for each Plan Year that a contribution is made (e.g., 2007 Deferral Contributions Account).

2.9 Code

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

2.10 Committee

Committee means the committee appointed by the Board to administer the Plan pursuant to Article 9. Where applicable, "Committee" also refers to any individual or entity to which the Committee has delegated authority to act with respect to the Plan.

2.11 Company

"Company" means Starbucks Corporation, a Washington corporation, and any successor thereto which assumes its obligations under the Plan. Except as used in Article 10, "Company" also includes any participating Affiliates. Where applicable, "Company" also refers to any individual or entity to which the Company has delegated authority to act with respect to the Plan, including the Committee pursuant to Section 9.1.

2.12 Deferrable Compensation

"Deferrable Compensation" means, for the period specified in a Participation Election, all Section 415 Compensation payable to a Participant in cash and any other amounts that would be paid in cash but for a compensation reduction agreement pursuant to Code Section 125, 132(f)(4) or 401(k) or pursuant to the Participant's Deferral Contributions made under the Plan. However, even if the following items are included in the Participant's cash Section 415 Compensation, they shall not be included in the Participant's Deferrable Compensation:

(a) Distributions from the Plan and any other taxable distributions received by the Participant from an unfunded, nonqualified plan of deferred compensation;

(b) Bonus or other incentive payments other than Bonus Compensation;

(c) CUP Fund payments;

(d) Tips;

(e) Allowances, including hardship allowances, office stipend allowances (i.e., certain amounts provided to help employees set up home offices), relocation allowances, car allowances, parking allowances, store mileage allowances, housing allowances for expatriates, cost-of-living adjustment allowances; child education allowances, any military allowance, and any tax allowances for expatriates;

(f) Gifts and awards, whether paid in kind or in cash (other than cash awards designated by the Company as includable in Deferrable Compensation at the time of the award);

(g) Severance pay;

(h) Sign-on bonuses;

(i) Non-U.S. source income paid to Participants who are U.S. citizens;

(j) Tuition reimbursement and child day care scholarships;

(k) Short-term and long-term disability benefit income; and

(l) Differential wage payments paid to employees in qualified military service.

2.13 Deferrable Compensation Payment Date

"Deferrable Compensation Payment Date" means, with respect to a Plan Year, each date during that Plan Year on which Deferrable Compensation is paid (or would be paid, but for an election pursuant to a Participation Election to have the Deferrable Compensation otherwise payable on that date reduced). For example, each date on which a regular payroll check for a payroll period is given to an Eligible Partner is a Deferrable Compensation Payment Date.

2.14 Deferral Contributions

"Deferral Contributions" means the compensation deferred by a Participant in accordance with Article 3 and allocated to his or her Deferral Contributions Account, pursuant to Section 4.2.

2.15 Deferral Contributions Account

"Deferral Contributions Account" means the Subaccount recording Deferral Contributions of the Participant pursuant to Section 4.2, as adjusted for allocations of Earnings, distributions and other factors affecting the value of such Subaccount.

2.16 Deferral Period

"Deferral Period" means the 12-month period beginning on January 1 and ending December 31, or the period ending on December 31 that is established by the Committee for part-year participation.

2.17 Determination Date

"Determination Date" means each date on which any one or more of the 401(k) Plan funds, or any other fund on which an Investment Index is based, is traded.

2.18 Disability

"Disability" means the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, incapable of continuing his or her usual and customary employment with the Company and is receiving income replacement benefits for a period of not less than three months from the Company's long-term disability plan (or if not eligible to participate in any such plan, is unable to engage in any substantial gainful activity by reason of such impairment). This definition is intended to be applied in accordance with and be no more expansive than the definition of "Disability" under Code Section 409A.

2.19 Discretionary Contributions

"Discretionary Contributions" means the contributions, if any, made by the Company to the Plan in addition to Matching Contributions (for periods prior to January 1, 2011). The aggregate amount of Discretionary Contributions allocated to the Plan for any Plan Year shall be such amount as determined by the Board in its sole discretion. The vesting schedule for Discretionary Contributions shall be the schedule shown in Section 5.3, or such other schedule the Board shall determine at the time it elects to make Discretionary Contributions.

2.20 Discretionary Contributions Account

"Discretionary Contributions Account" means the Subaccount recording Discretionary Contributions made to the Plan on behalf of the Participant pursuant to Section 5.2, as adjusted for allocations of Earnings, distributions and other factors affecting the value of such Subaccount.

2.21 Earnings

"Earnings" for each Subaccount means the rate of growth credited or debited to the Subaccount on each Determination Date in a Plan Year, which shall be credited or debited at the rates described in the definition of Investment Index. "Earnings" for an Account shall mean the aggregate Earnings for each Subaccount making up the Account.

2.22 Eligible Partner

"Eligible Partner" is a Partner who is eligible to participate in the Plan in accordance with Section 3.1.

2.23 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.24 Ineligible Partner

"Ineligible Partner" means, regardless of whether he or she would qualify as an Eligible Partner, any Partner who is:

(a) An individual who falls outside of the top-hat group; i.e. those Partners who are not part of a select group of management or highly compensated employees (as described in Section 11.1), as determined by the Committee;

(b) Covered by a collective bargaining agreement;

(c) Treated by the Company as an independent contractor;

(d) Leased from another company;

(e) A temporary employee as defined in the Company's Human Resources policies; or

(f) Not on a United States payroll of the Company (such as a nonresident alien with no U.S. source of income).

2.25 Investment Index (Indices)

"Investment Index" means each index selected by a Participant to be used as an Earnings index pursuant to Article 6. Each Investment Index shall be a phantom investment fund, which shall be credited with Earnings (whether a gain or a loss) at the same rate as the funds provided under the 401(k) Plan, or such other similar indices as the Committee may select from time to time and shown in Appendix A attached.

2.26 Matching Contributions

"Matching Contributions" means, for periods prior to January 1, 2011, any contributions allocated to a Participant's Matching Contribution Account.

2.27 Matching Contributions Account

"Matching Contributions Account" means the Subaccount recording Matching Contributions made to the Plan on behalf of the Participant, as adjusted for allocations of Earnings, distributions and other factors affecting the value of such Subaccount.

2.28 Participant

"Participant" means an Eligible Partner who has elected to defer a portion of his or her Base Salary or Bonus Compensation under the Plan. A person remains a Participant as long as he or she has an Account balance under the Plan, whether or not he or she remains an Eligible Partner. In addition, where applicable, the term "Participant" may also include a Beneficiary or an alternate payee under a qualified domestic relations order (as defined in Code Section 414(p)(1)(B)) to the extent an Account balance is maintained under the Plan for such Beneficiary or alternate payee.

2.29 Participation Election

"Participation Election" means the most recent election properly submitted by an Eligible Partner to the Committee prior to the beginning of a Deferral Period, subject to Section 3.1, specifying the amount to be deferred for such Deferral Period. The Eligible Partner shall also elect the form and timing of payment in the Participation Election for each Class Year Account related to such Deferral Period. Such election may be submitted in any form permitted by the Committee.

2.30 Partner

"Partner" means a person classified by the Company as an employee of the Company or its participating Affiliates. "Partner" for purposes of the Plan shall not include an individual whom the Company classifies as an independent contractor but who is reclassified as a common law employee of the Company or any of its participating Affiliates by a federal, state or local government agency, a court judgment or a settlement or similar agreement resulting from agency or court proceedings.

2.31 Part-Year Participant

"Part-Year Participant" means an Eligible Partner who becomes newly eligible to participate in the Plan and who participates in the Plan subject to Section 3.1(c).

2.32 Plan

"Plan" means this Management Deferred Compensation Plan as amended from time to time.

2.33 Plan Year

"Plan Year" means the calendar year.

2.34 Pre-2005 Plan

"Pre-2005 Plan" means the terms of the Plan in place through December 31, 2004.

2.35 Retirement

"Retirement" means a Participant's Separation from Service on or after reaching age 65.

2.36 Section 415 Compensation

"Section 415 Compensation" means, with respect to a Participant for the period specified in a Participation Election, the Participant's compensation for services, determined as follows:

(a) By including only those items of compensation specified in Treasury Regulation Section 1.415(c)-2(b)(1) and (2), and by excluding all of the items listed in Treasury Regulation Section 1.415(c)-2(c) other than taxable distributions from an unfunded, nonqualified plan of deferred compensation, provided that any amounts received by a Participant pursuant to a nonqualified unfunded deferred compensation plan shall be considered as compensation in the Plan Year the amounts are actually received, but only to the extent such amounts are includible in the Participant's gross income;

(b) By including compensation paid after severance from employment as described in Treasury Regulation Section 1.415(c)-2(e)(3)(i), (ii) and (iii), but excluding other post-severance payments as described in Treasury Regulation Section 1.415(c)-2(e)(3)(iv); and

(c) By including foreign compensation as described in Treasury Regulation Section 1.415(c)-2(g)(5), but excluding any such compensation paid to a nonresident alien who is not a Participant in the Plan to the extent such compensation is excludable from gross income and is not connected with the conduct of a trade or business within the United States;

Provided, Section 415 Compensation for any Plan Year shall not exceed the amount permitted under Code Section 401(a)(17), as adjusted for cost of living in accordance with Code Section 401(a)(17).

2.37 Separation from Service

"Separation from Service" means a Participant's Retirement or other termination of employment with the Company and all of its Affiliates that constitutes a "separation from service" within the meaning of Code Section 409A.

2.38 Specified Employee

"Specified Employee" is a Participant who, as of the date of his or her Separation from Service, is a key employee of the Company or any of its Affiliates (excluding entities or organizations required to be aggregated pursuant to Code Section 414(m) or 414(o)), but only if the stock of the Company or any such Affiliates is publicly traded on an established securities market or otherwise on such date. A Participant is a "key employee" if the Participant meets the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Code Section 416(i)(5)) at any time during the 12-month period ending on a "specified employee identification date." If a Participant is a key employee as of December 31, the Participant shall be treated as a Specified Employee for the entire 12-month period beginning on the next following January 1.

2.39 Subaccount

"Subaccount" means one or more of the Deferral Contributions Account, the Matching Contributions Account and the Discretionary Contributions Account.

2.40 Unforeseeable Financial Emergency

"Unforeseeable Financial Emergency" means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example: (a) imminent foreclosure of or the Participant's eviction from the Participant's primary residence may constitute an

Unforeseeable Financial Emergency; (b) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medication, may constitute an Unforeseeable Financial Emergency; (c) the need to pay for the funeral expenses of a spouse, a beneficiary, or a dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)) may also constitute an Unforeseeable Financial Emergency; and (d) the purchase of a home and the payment of college tuition are not Unforeseeable Emergencies.

ARTICLE 3

PARTICIPATION AND DEFERRALS

3.1 Eligibility and Participation

(a) *Eligibility* . Eligibility to participate in the Plan shall be limited to those Partners, excluding Ineligible Partners, who have a position at the Company or at any of its participating Affiliates at the director level or above. Notwithstanding the foregoing, a Partner who is employed by an entity that is acquired by the Company or any participating Affiliate and who satisfied the eligibility requirements of this Section 3.1 on or after the acquisition date shall not be eligible to participate in the Plan before the date such Partner is converted onto the Starbucks payroll system.

(b) *Annual Participation* . An Eligible Partner may elect to participate in the Plan with respect to any Deferral Period by submitting a Participation Election to the Committee by the date or dates selected by the Committee, which date or dates shall in no event be later than December 31 of the year preceding the immediately following Deferral Period to which the Participation Election relates.

(c) *Part-Year Participation* . A Partner who becomes newly eligible to participate in the Plan may begin his or her participation in the Plan by submitting a Participation Election to the Committee within 30 days after the date the Partner is initially eligible to participate in the Plan pursuant to Section 3.1(a), or such earlier date set by the Committee. The Participation Election shall be effective for the deferral of only Base Salary paid for services to be performed after the effective date of the Participation Election. No deferral election under this Section 3.1(a) shall apply to Bonus Compensation. If no Participation Election is submitted within the Partner’s 30-day (or shorter) election period, the Partner shall next be eligible to participate beginning January 1 of the next following calendar year and must submit a Participation Election in accordance with Section 3.1(b). This Section 3.1(c) shall also apply to a Partner who becomes eligible to participate in the Plan even if he or she were previously so eligible, provided that such Partner was not eligible at any time during the 24-month period ending on the date when he or she again becomes eligible to participate in the Plan. For purposes of the foregoing sentence, with respect to any Account maintained on behalf of a Partner, the accrual of Earnings pursuant to Article 6 shall not be treated as eligibility to participate in the Plan.

(d) *Change in Employment Status* . If a Participant is no longer a member of the eligible group of Partners, any Participation Election currently in effect shall be continued to the end of the Deferral Period, but no new Participation Election may be made by such Participant for the corresponding Deferral Period. All Account balances for such Participant shall remain in the Plan until they are distributed under the terms of Article 7.

3.2 Form of Deferral

An Eligible Partner may elect a deferral in the Participation Election as follows:

(a) The deferral of a portion of:

(i) the Base Salary payable by the Company during the applicable Deferral Period; or

(ii) the Bonus Compensation payable by the Company during the applicable Deferral Period, but only to the extent such deferral is made under Section 3.1(b).

(b) For purposes of deferrals of Base Salary or Bonus Compensation, the amount to be deferred shall be stated as a percentage, not to exceed the maximums and not to be less than the minimums described in Section 3.3, or in such other manner as provided by the Committee.

3.3 Limitations on Deferrals

The following limitations shall apply to deferrals:

(a) *Maximum* . The Committee shall establish the maximum percentages of Base Salary and Bonus Compensation that may be deferred for each Plan Year prior to the beginning of such Plan Year. In no event shall such maximum exceed 95%.

(b) *Minimum* . The minimum percentage (excluding amounts payable under the Plan) that may be deferred shall be one percent.

(c) *Changes in Minimum or Maximum* . The Committee may change the minimum or maximum deferral amounts from time to time upon written notice. No such change may affect the amount specified in a Participation Election made prior to the Committee's action.

3.4 Continuation of Deferral Amount

Once an Eligible Partner has submitted a Participation Election, the elected deferral amount shall remain in effect for the applicable Deferral Period. The election shall be irrevocable as of December 31 immediately preceding such Deferral Period except as provided in Article 7. The Committee shall establish such rules as it may decide with respect to the modification or termination of the Participation Election prior to it becoming irrevocable.

ARTICLE 4

DEFERRAL CONTRIBUTIONS

4.1 Withholding of Deferral Contributions

For each Plan Year, Deferral Contributions shall be withheld each Deferrable Compensation Payment Date in the percentage amount elected in the applicable Participation Election for that Plan Year.

4.2 Timing of Credits; Tax and Other Withholding

Deferral Contributions shall be credited to the Deferral Contributions Account in accordance with rules established by the Committee and by such deadlines as the Committee shall establish, in its discretion. Any withholding of taxes or other amounts, including FICA and Medicare taxes, with respect to Deferral Contributions that is required by state, federal or local law shall be withheld from corresponding nondeferred compensation.

4.3 Special Rule for 2005

Notwithstanding any other provision of the Plan and in accordance with the provisions of IRS Notices 2005-1 and 2007-86, the deadline for filing a Participant's Participation Election that covers Base Salary and Bonus Compensation earned for services rendered in 2005 was March 13, 2005, and such Participation Election became irrevocable on that date for the remainder of the Plan Year and applied only to Base Salary and Bonus Compensation which was paid or became payable prior to the date such Participation Election was filed with the Committee.

ARTICLE 5

MATCHING CONTRIBUTIONS AND DISCRETIONARY CONTRIBUTIONS

5.1 Matching Contributions

The Company shall not make any Matching Contributions with respect to the Plan. For periods prior to January 1, 2011, this Section 5.1 applied to the extent set forth below.

(a) Effective for Plan Years beginning on and after January 1, 2009, Matching Contributions, if any, shall be made in accordance with this paragraph. The Company shall have no obligation to make Matching Contributions. However, each Plan Year, the Company may determine in its discretion whether to make Matching Contributions for such Plan Year and the amount of such Matching Contributions. If the Company determines to make Matching Contributions, the Company shall also determine (a) how the Matching Contributions are to be allocated among Participants' Matching Contribution Accounts, including whether and to what extent any individual, group, or groups of Participants shall participate in the allocation of such contribution, and (b) any age, service and other requirements the Company may specify as part of eligibility to receive the Matching Contributions. Matching Contributions shall be credited to Participants' Matching Contributions Account as of the time selected by the Committee.

(b) Effective April 1, 2006 and for Plan Years beginning prior to January 1, 2009, the Company will credit the Matching Contributions as of December 31 (the end of the Plan Year) and a Participant must be actively employed or on an approved leave of absence on December 31 to be eligible for the Matching Contribution credit. This requirement is waived if the Participant is not actively employed on December 31 due to Retirement, Disability or death during the Plan Year. If a Participant's employment with the Company is terminated due to a Separation from Service during the year and the Participant is rehired within the same calendar year, any credited Matching Contribution under this paragraph will be based on Deferral Contributions made during the most recent period of employment only.

(c) The Company shall credit a Matching Contribution to Matching Contribution Accounts on behalf of each Participant who is eligible for such credit as described in Section 5.1(b). The amount of such Matching Contribution credit shall be calculated by multiplying Deferral Contributions, up to 4% of Deferrable Compensation (up to the limitation under Code Section 401(a)(17) for that Plan Year), by the percentage in accordance with the following schedule based on an eligible Participant's length of service from his or her most recent date of hire.

Matching Percentage Schedule	
Completed Years of Service	Matching Percent
Less than 2 years	25%
At least 2 but less than 5	50%
At least 5 for less than 8	75%
At least 8 but less than 10	100%
10 or more	150%

For purposes of this Section 5.1(c), “Years or Service” shall be determined by the Committee for each Deferred Compensation Payment Date, based on the total number of an Active Participant’s completed 12 months of consecutive employment since his or her most recent date of hire with the Company.

5.2 Discretionary Contributions

Each Plan Year, the Company may determine whether to make Discretionary Contributions other than discretionary Matching Contributions (for periods prior to January 1, 2011) for that Plan Year and the amount of the aggregate Discretionary Contributions. If the Company determines to make such Discretionary Contributions, the Committee shall determine how the Discretionary Contributions are to be allocated among the Participants’ Discretionary Contributions Accounts, including whether and to what extent any individual, group, or groups of Participants shall participate in the allocation of such contribution. A Participant’s Discretionary Contributions shall be credited to the Discretionary Contributions Account as of the time selected by the Committee.

5.3 Vesting of Accounts

(a) Each Participant shall be 100% vested at all times in the amounts credited to such Participant’s Deferral Contributions Account, including Earnings.

(b) Subject to Section 5.3(c), each Participant shall be 100% vested in the amounts credited to such Participant’s Matching Contributions Account and Discretionary Contributions Account, including Earnings.

(c) If the Committee determines that a Participant was terminated from employment by the Company for misconduct, willfully or wantonly harmful to the Company, the Participant shall forfeit the entire balance of his or her Matching Contributions Account and Discretionary Contributions Account.

5.4 Tax and Other Withholding

Any withholding of taxes or other amounts with respect to Matching Contributions and Discretionary Contributions that is required by state, federal or local law shall be withheld from the Participant's nondeferred compensation.

ARTICLE 6

ACCOUNTS

6.1 Account

For record-keeping purposes only, a Participant's Deferral Contributions, Matching Contributions, Discretionary Contributions, and Earnings on each type of contribution shall be credited to the Participant's respective Subaccounts, and, in the aggregate, to the Participant's Account. The Account and Subaccounts shall be bookkeeping devices utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

6.2 Determination of Accounts and Subaccounts

Each Participant's Account and Subaccounts as of each Determination Date shall consist of the balance of the Account and Subaccounts as of the immediately preceding Determination Date, adjusted as follows:

(a) *Deferral Contributions* . The Account and Subaccounts shall be increased by any Deferral Contributions credited since such immediately preceding Determination Date.

(b) *Matching Contributions* . For periods prior to January 1, 2011, the Account and Subaccounts shall be increased by any Matching Contributions, if any, credited since such immediately preceding Determination Date.

(c) *Discretionary Contributions* . The Account and Subaccounts shall be increased by Discretionary Contributions, if any, credited since such immediately preceding Determination Date.

(d) *Distributions* . The Account and Subaccounts shall be reduced by any benefits distributed to the Participant since such immediately preceding Determination Date.

(e) *Earnings* . The Account and Subaccounts shall be increased or decreased by the Earnings credited on the average daily balance in the Account and each Subaccount since such immediately preceding Determination Date.

6.3 Selection of Investment Index (Indices)

(a) A Participant shall select the Investment Index or Indices in which the Participant wishes to have the combined amount of any Deferral Contributions, Matching Contributions and Discretionary Contributions deemed invested. The Participant may select any combination of one or more of the Investment Indices in one percent increments, or as further limited by the Committee. The Participant may change the Index or set of Indices as permitted by the Committee.

(b) The Participant may also select a separate allocation among the Investment Indices for current Account balances as permitted by the Committee.

(c) In the event the Participant has not selected an Investment Index or Indices with respect to the deemed investment of Deferral Contributions, Matching Contributions and Discretionary Contributions or with respect to current Account balances, all contributions and balances, as applicable, will be deemed invested in the Moderate Blend Fund or any successor default fund designated by the Committee until such time as the Participant selects a different allocation in accordance with this Section 6.3.

6.4 Statement of Accounts

The Committee shall give to each Participant a statement showing the balances in the Participant's Account and Subaccounts on a quarterly basis or at such other times as may be determined by the Committee.

ARTICLE 7

BENEFIT PAYMENTS

7.1 Early Withdrawals

A Participant's Account may be distributed to the Participant before Separation from Service as follows:

(a) *Election for In-Service Withdrawal* . An election may be made in a Participant's Participation Election to withdraw all or any portion of the amount deferred, including any Earnings credited thereon, by that Participation Election as of a date specified in that Participation Election. Such date shall not be sooner than January 1 of the third Plan Year following the Plan Year to which the deferral election applies. No amounts from the Participant's Matching Contributions Account and Discretionary Contributions Account may be withdrawn. The value of the distribution shall be the value as of the applicable Determination Date as determined by the Committee.

(b) *Re-Election for In-Service Withdrawal* . A Participant may change the payment date for the in-service withdrawal elected in Section 7.1(a) one time, subject to the following:

(i) The new election may be made not less than 12 months before the date the payment is scheduled to be paid and shall not take effect until at least 12 months after the date on which the election is made; and

(ii) The payment shall be deferred for a period of not less than five years from the date such payment would otherwise have been paid.

(c) *Unforeseeable Financial Emergency* . If upon the request of a Participant the Committee finds that, based on the relevant facts and circumstances of each case, a Participant has suffered an Unforeseeable Financial Emergency, the Committee may make a distribution from the Participant's Deferral Contributions Account. If a Participant receives a distribution as a result of an Unforeseeable Financial Emergency, the Participant's deferral election under his or her Participation Election shall be cancelled for the remainder of the Plan Year in which the withdrawal is made. Additionally, if a Participant receives a hardship distribution of his or her pre-2005 Deferral Contributions Account pursuant to the terms of the Pre-2005 Plan, the Participant shall not be allowed to defer compensation under the Plan for the immediately succeeding Plan Year.

The distribution on account of an Unforeseeable Financial Emergency shall not exceed the Participant's Deferred Contributions Account balance as of the Determination Date (as determined by the Committee) or the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution), whichever is less. A distribution on account of an Unforeseeable Financial Emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship).

Notwithstanding the foregoing, in the event that a Participant has received a hardship distribution from the 401(k) Plan, deferrals under his or her MDCP Participation Election shall be cancelled through the current Plan Year or the end of the subsequent Plan Year if the six-month period under Treasury Regulation Section 1.401(k)-1(d)(3)(iv)(E)(2) does not end in the current Plan Year. Additionally, to the extent the six-month period ends in the immediately succeeding Plan Year, the Participant shall not be allowed to defer compensation under the Plan for such Plan Year.

(d) *Payment* . The amount payable under this Section 7.1 shall be paid in a lump sum within 60 days following receipt of a proper request in the event of an Unforeseeable Financial Emergency, or following the elected payment date in the event of an in-service withdrawal. In either case, such amount shall be charged to the Participant's Account as a distribution.

7.2 Accelerated Distributions Under the Pre-2005 Plan

If a Participant receives an Accelerated Distribution (as defined in the Pre-2005 Plan) under Section 7.2 of the Pre-2005 Plan, he or she shall not be allowed to defer compensation under this Plan for the entire Plan Year following the Plan Year in which the Accelerated Distribution was made.

7.3 Separation from Service

If a Participant's employment is terminated with the Company due to a Separation from Service (other than death), the Company shall pay to the Participant benefits equal to the balance in the Account on the applicable Determination Date (as determined by the Committee) subject to the forfeiture provision of Section 5.3(c). Subject to Section 7.7, benefits shall be paid as elected in the Participant's Participation Election relating to each Deferral Period (Sections 7.3(a) and (b)), as required in Section 7.3(c), or as elected pursuant to Section 7.3(d) below. Distribution shall commence within 60 days following the Participant's date of Separation from Service or the elected payment date corresponding with such date, as applicable.

(a) *Alternative Forms* . Alternative forms of benefit payment shall be:

(i) A lump-sum amount which is equal to the applicable Account balance. This is also the default in the event there is not a valid Participation Election on file as of a Participant's date of Separation from Service.

(ii) Annual installments of the Account balance amortized over a period of two to five years (two to 10 years for Class Year Accounts prior to 2011, except for Partners who became newly eligible under Section 3.1(c) on or after October 1, 2010). Earnings on the unpaid balance shall continue to be credited to Subaccounts at the appropriate Investment Index rate. The Account balance shall be reamortized each year, so that the exact amount of each substantially similar installment payment will depend on the Earnings credited or debited to the Account during the prior year.

(b) *Alternative Payment Timing* . Alternative timing of payments shall be:

(i) Payment upon the Participant's Separation from Service, or in the case of installments, payments begin upon Separation from Service; or

(ii) Payment 12 months following the date of the Participant's Separation from Service, or in the case of installments, payments begin 12 months following the date of Separation from Service.

(c) *Small Amounts* . Notwithstanding the form elected, if the Participant's total Account under this Plan, any plan, agreement, program or other arrangement required to be aggregated with this Plan under Treasury Regulation Section 1.409A-1(c)(2) and the Pre-2005 Plan is $10,000 or less on the applicable Determination Date selected by the Committee following the Participant's Separation from Service, the total Account balance (under this Plan and the Pre-2005 Plan) shall be paid in a lump sum within 60 days following such Determination Date. Such payment shall not be made unless it results in the termination and liquidation of the entirety of the Participant's interest under this Plan and all such arrangements.

(d) *Change in Form and Timing of Benefits* .

(i) A Participant may elect to change the form or timing of benefit payments due to a Separation from Service up to a maximum of two times per Class Year Account. Any such election changes will not be valid and shall have no effect to the extent they were made within 12 months prior to the date of the Participant's Separation from Service. In addition, the payment with respect to which any such election change is made shall be deferred for a period of not less than five years after the date such payment would otherwise have been paid (or in the case of installment payments treated as a single payment, five years after the date the first amount would otherwise have been paid). This Section 7.3(d) does not apply to any payments on account of death or due to an Unforeseeable Financial Emergency.

(ii) On or before December 31, 2008, in accordance with and subject to such payment options as set forth in this Section 7.3(d), such rules as set by the Company, and the limitations set forth under Code Section 409A, a Participant may elect to change the form or timing of benefit payments due as a result of a Separation from Service with respect to deferrals made in Plan Years 2005 through 2008, respectively, without regard to any requirements to the contrary in this Section 7.3(d). Any such change shall become irrevocable on December 31, 2008.

7.4 Withholding; Payroll Taxes

The Company shall withhold from payments hereunder any taxes required to be withheld from such payments under federal, state or local law. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405, or any successor provision thereto.

7.5 Payments Subject to Code Section 162(m)

Notwithstanding any other provision of the Plan, if the Company reasonably anticipates that any portion of a payment in a calendar year would be disallowed as a deduction to the Company due to Code Section 162(m), such payment may be delayed in accordance with Section 409A. It shall instead be paid in the first following calendar year during which the Company reasonably anticipates that if the payment is made during such year, the deduction of such payment will not be barred by application of Code Section 162(m). All delayed payments will be paid by January 30 of such year. In addition, where any scheduled payment to a specific Participant in the Company's taxable year is delayed in accordance with this Section 7.5, the delay in payment will be treated as a subsequent deferral election (governed by Section 7.3(d) above) unless all scheduled payments to that Participant that could be delayed in accordance with this Section 7.5 are also delayed.

7.6 Payment to Guardian

If a distribution is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of property, the Committee may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship, as it may deem appropriate prior to distribution.

7.7 Payments to Specified Employees

In the case of a Participant who is a Specified Employee as of his or her date of Separation from Service, all payments under Section 7.3 to which he or she is otherwise entitled during the first six months following such date shall be delayed until and paid on the first day of the seventh month following such date (or, if earlier, the date of death of the Specified Employee). The Participant’s Subaccounts shall continue to receive credits for deemed investments under Article 6 until such delayed distribution date.

7.8 Payments upon Death

Upon the death of a Participant, any portion of such Participant’s Account that has not yet been distributed shall be paid to the Participant’s Beneficiary in a lump sum regardless of the form of benefit elected in the Participant’s Participation Election. Such lump sum shall be paid within 90 days of the Participant’s death.

7.9 Permissible Acceleration of Payments Under Treasury Regulations

In general, no distribution under the Plan may be paid earlier than specified by the terms of the Plan. Notwithstanding any other provision of the Plan, the Committee shall have the discretion to accelerate distributions under the Plan to the extent permitted under and in accordance with Treasury Regulation Section 1.409A-3(j)(4).

ARTICLE 8

BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate one or more persons or an entities as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of a Participant's death prior to complete distribution of the Participant's Account. Except to the extent contrary to the requirements of Code Section 409A, each Beneficiary designation shall be made in accordance with the provisions of Section 8.6 of the 401(k) Plan, as it may be amended from time to time; and in the event that no separate Beneficiary designation is made under this Plan, the Participant's Beneficiary designation made under the 401(k) Plan shall determine to whom benefits under this Plan shall be paid in the event of a Participant's death.

ARTICLE 9

ADMINISTRATION

9.1 Committee

(a) The Committee shall administer this Plan.

(b) The Committee shall be the same committee that administers the 401(k) Plan.

(c) The Committee may appoint one or more plan administrators and delegate any of its discretionary authority and such of its powers and duties as it deems desirable to any such plan administrator.

9.2 Administrative Provisions

Except to the extent inconsistent with requirements of Code Section 409A and to the extent applicable to this Plan, the provisions of Article 11 of the 401(k) Plan are intended to govern the administration of this Plan, including the claims procedures. Specific provisions of Article 11 of the 401(k) Plan that are not applicable to this Plan include:

(a) Section 11.4(b) (payment of expenses); expenses of this Plan shall be paid out of the general assets of the Company or, if established, the trust(s) described in Section 11.3 of this Plan;

(b) Section 11.6 (investment responsibilities);

(c) Section 11.10 (fiduciaries); this Plan is not subject to the fiduciary duty requirements of ERISA; and

(d) Section 11.6 (effect of mistake).

In the event of any inconsistency between the application of this Section 9.2 and Article 11 of the 401(k) Plan, the terms of Article 11 of the 401(k) Plan shall control.

9.3 Effect of a Mistake

In the event of a mistake or misstatement as to the eligibility, participation or service of any Participant or the amount of payments made or to be made to a Participant or Beneficiary, the Committee shall, if possible, cause to be withheld or accelerated or otherwise make adjustment of the amounts of payments as will, in its sole judgment, result in the Participant or Beneficiary receiving the proper amount of payments under the Plan.

ARTICLE 10

AMENDMENT AND TERMINATION OF PLAN

10.1 Amendment

(a) The Board may, at any time, amend the Plan in whole or in part by written instrument, provided that no amendment shall reduce the amount credited to any Account maintained under the Plan as of the date of the amendment. Any change in the manner that Earnings are credited to Accounts shall not become effective before the first day of the Plan Year that follows the adoption of the amendment, provided, however, that the selection of Investment Indices by the Committee may be changed at any time as long as Participants are given the opportunity to change their selection of Investment Indices prior to the time the Indices are changed.

(b) Generally, the Company shall amend the Plan by action of the Board. However, the Committee may approve amendments to the Plan, without prior approval or subsequent ratification by the Board, if the amendment (i) does not significantly change the benefits provided under the Plan (except as required by a change in applicable law); (ii) does not significantly increase the costs of the Plan; and (iii) is intended to enable the Plan to remain in compliance with the requirements of the Code, ERISA, or other applicable law, to facilitate administration of the Plan, or to improve the operation of the Plan. A duly authorized officer of the Company shall execute the amendment, evidencing the Company's adoption of the amendment.

10.2 Company's Right to Terminate

The Board may, at any time, partially or completely, terminate the Plan.

(a) *Partial Termination* . The Board may partially terminate the Plan by instructing the Committee not to accept any additional Participation Elections. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Participation Elections entered into prior to the effective date of such partial termination.

(b) *Complete Termination* . The Board may completely terminate the Plan by instructing the Committee not to accept any additional Participation Elections, and by terminating all ongoing Participation Elections. If such a complete termination occurs, the Plan shall cease to operate and all Accounts will be distributed to Participants at the time(s) and in the form(s) elected by the Participants in such Participants' Participation Elections, unless the Board directs that distributions occur sooner in accordance with the provisions of Treasury Regulation Section 1.409A-3(j)(4)(ix).

10.3 Adoption of Plan by Affiliates

With the approval of the Board, an Affiliate may adopt the Plan for the benefit of its Partners. The participating Affiliate shall become a party to the Plan effective as of the date it specifies in its adopting resolutions. The participating Affiliate shall file with the Board a certified copy of a resolution of its board of directors adopting the Plan and such other instruments as the Company may require.

10.4 Action Binding on Participating Affiliates

The Company and the Committee shall be empowered to act for any participating Affiliate in all manners respecting the Plan. Any action taken by the Company or the Committee with respect thereto shall automatically include and be binding upon any participating Affiliate.

10.5 Termination of Participating Affiliate

(a) The Company reserves the right, in its sole discretion and at any time, to terminate the participation in the Plan of any participating Affiliate. Such termination shall be effective immediately, upon notice of such termination from the Company to the participating Affiliate. Such termination shall not in and of itself result in the termination of the Plan.

(b) Any participating Affiliate may terminate its participation in the Plan by providing written notice to the Committee and the Board. The termination shall be effective on the date the written notice is received by the Committee and the Board, or such later date as is agreed to by the withdrawing Affiliate, the Committee and the Board.

(c) If an Affiliate ceases to be a participating Affiliate in the Plan, for whatever reason, and the Participant has not had a Separation from Service, then the Participant will be treated as having a change in employment status, as described in Section 3.1(d), and the Committee shall not accept any additional Participation Elections from that Participant.

ARTICLE 11

MISCELLANEOUS

11.1 Unfunded Plan

The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and make no further benefit payments or remove certain employees as Participants if it is determined by the United States Department of Labor, a court of competent jurisdiction or an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA (as currently in effect or hereafter amended) which is not so exempt.

11.2 Unsecured General Creditor

Participants and their Beneficiaries, heirs, successors and assigns (including any alternate payees under qualified domestic relations orders (as defined in Code Section 414(p)(1)(B))) shall have no secured legal or equitable rights, interest or claims in any property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims or interests in, any property or asset which may be acquired by the Company. Except as provided in Section 11.3, assets of the Company shall not be held under any trust for the benefit of Participants or their Beneficiaries, heirs, successors or assigns (including any alternate payees), or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company’s assets and policies shall be, and remain, the general, unpledged, unrestricted assets of the Company. The Company’s obligation under the Plan shall be that of an unfunded and unsecured promise to pay money in the future.

11.3 Trust Fund

At its sole discretion, the Company may establish one or more trusts, with such trustees as the Board may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, its assets shall be held for payment of all the Company’s general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, the Company shall have no further obligation to pay them. If not paid from any trust, such benefits shall remain the obligation of the Company. Notwithstanding the existence of such a trust, it is intended that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

11.4 Nonassignability

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. Except as the Committee determines is otherwise required by law or order of a court of competent jurisdiction, including a domestic relations order (as defined in Code Section 414(p)(1)(B)), no part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

11.5 Not a Contract of Employment

The Plan shall not constitute a contract of employment between the Company and the Participant. Nothing in the Plan shall give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge a Participant at any time.

11.6 Governing Law

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Washington, except as preempted by federal law.

11.7 Validity

In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

11.8 Successors

The provisions of the Plan shall bind and inure to the benefit of the Company, its Affiliates, and their successors and assigns. The term "successors" as used herein shall include any corporation or other business entity, which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company, and the successors of any such corporation or other business entity.

11.9 Captions

The captions of the articles, sections, and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

11.10 Entire Agreement

The Plan document represents the entire agreement between the Company and any Participant in the Plan. The Plan supersedes any and all prior agreements between the Company and any Participant, whether such agreement or agreements were written or oral. Any amendment or modification to the terms of the Plan must be in writing and signed by an authorized officer of the Company. No Participation Election shall in any way amend, modify, alter or revise the Plan. In the event the terms of the Participation Election conflict with the terms of the Plan, the terms of the Plan shall be controlling.

11.11 Code Section 409A

The Plan is intended to comply with the requirements of Code Section 409A (including accompanying regulations and current IRS guidance) and conform to the current operation of the Plan. The Plan shall be interpreted, operated and administered in a manner consistent with this intention to the extent the Committee deems necessary to comply with Code Section 409A and any official guidance issued thereunder. The Plan shall be deemed to be amended, and any deferrals and distributions hereunder shall be deemed to be modified, to the extent necessary to comply with Code Section 409A and to avoid or mitigate the imposition of additional taxes under Code Section 409A. Notwithstanding the foregoing, no provision of the Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Code Section 409A from a Participant or any other individual to the Company or any of its affiliates, employees or agents.

* * * * *

IN WITNESS WHEREOF, an authorized officer of the Company has signed this document on the 29 day of December, 2010, to be effective January 1, 2011.

STARBUCKS CORPORATION

By /s/ Christopher Gann
Its VP, Total Pay

APPENDIX A — INVESTMENT INDICES

The Investment Indices available to Participants in the Starbucks Corporation Management Deferred Compensation Plan shall be the same investment funds made available for investment in the Starbucks Corporation 401(k) Plan.

The Committee reserves the right to change these indices from time to time.

APPENDIX B — PARTICIPATING AFFILIATES

Participating Affiliates as of January 1, 2011

As of January 1, 2011, the following Affiliates of the Starbucks Corporation have adopted the Plan and are participating in the Plan:

- Starbucks Coffee International, Inc.
- Starbucks Manufacturing Corporation
- Seattle's Best Coffee LLC

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard Schultz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2011 of Starbucks Corporation;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 4, 2011

/s/ Howard Schultz
Howard Schultz
chairman, president and chief executive officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Troy Alstead, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2011 of Starbucks Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 4, 2011

/s/ Troy Alstead
Troy Alstead
chief financial officer
and chief administrative officer

EXHIBIT 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Starbucks Corporation ("Starbucks") on Form 10-Q for the fiscal quarter ended January 2, 2011, as filed with the Securities and Exchange Commission on February 4, 2011 (the "Report"), Howard Schultz, chairman, president and chief executive officer, and Troy Alstead, chief financial officer and chief administrative officer of Starbucks, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

February 4, 2011

/s/ Howard Schultz
Howard Schultz
chairman, president and chief executive officer

February 4, 2011

/s/ Troy Alstead
Troy Alstead
chief financial officer and chief administrative officer