

STARBUCKS CORP

FORM 10-K/A (Amended Annual Report)

Filed 2/4/1997 For Period Ending 9/29/1996

Address	P O BOX 34067 SEATTLE, Washington 98124-1067
Telephone	206-447-1575
CIK	0000829224
Industry	Restaurants
Sector	Services
Fiscal Year	09/28

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K/A

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended September 29, 1996 or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-20322

STARBUCKS CORPORATION

(Exact name of registrant as specified in its charter)

WASHINGTON
(State or other jurisdiction of
incorporation or organization)

91-1325671
(I.R.S. Employer
Identification No.)

2401 UTAH AVENUE SOUTH, SEATTLE, WASHINGTON
(Address of principal executive offices)

98134
(Zip Code)

Registrant's telephone number, including area code: (206) 447-1575

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

Name of each exchange
Title of each class on which registered

None N/A

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

COMMON STOCK, NO PAR VALUE
4 1/4% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2002
(Title of Class)

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

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

The aggregate market value of the voting stock held by non- affiliates of the registrant, based upon the closing sale price of the registrant's Common Stock on December 1, 1996, as reported on the NASDAQ National Market System, was \$2,598,426,062.

As of December 1, 1996, there were 77,786,819 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended September 29, 1996 have been incorporated by reference into Parts II and IV of this Form 10-K. Portions of the definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on March 6, 1997 have been incorporated by reference into Part III of this report.

STARBUCKS CORPORATION

ANNUAL REPORT ON FORM 10-K (as amended)

TABLE OF CONTENTS

Part I

PAGE

Item 1.	Business	1
Item 2.	Properties	5
Item 3.	Legal Proceedings	6
Item 4.	Submission of Matters to a Vote of Security Holders	6

Part II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	7
Item 6.	Selected Financial Data	7
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7
Item 8.	Financial Statements and Supplementary Data	7
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	7

Part III

Item 10.	Directors and Executive Officers of the Registrant	8
Item 11.	Executive Compensation	10
Item 12.	Security Ownership of Certain Beneficial Owners and Management	10
Item 13.	Certain Relationships and Related Transactions	10

Part IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	11
----------	--	----

PART I

Item 1. Business

GENERAL. Starbucks Corporation and its subsidiaries ("Starbucks" or the "Company") purchases and roasts high-quality whole bean coffees and sells them, along with fresh, rich-brewed coffees and Italian-style espresso beverages, primarily through Company-operated and licensed retail stores. The Company's objective is to establish Starbucks as the most recognized and respected brand of coffee in the world. To achieve this goal, the Company plans to continue to rapidly expand its retail operations, grow its direct response and specialty sales operations, and selectively pursue other opportunities to leverage and grow the Starbucks brand through the introduction of new products and the development of new distribution channels.

Starbucks is committed to selling only the finest whole bean coffees and coffee beverages. To ensure compliance with its rigorous standards, Starbucks is vertically integrated, controlling its coffee sourcing, roasting, and distribution through its Company-operated retail stores. The Company purchases green coffee beans for its many blends and varieties from coffee-producing regions throughout the world and custom roasts them to its exacting standards.

Company-operated retail stores accounted for approximately 86% of net revenues during the fiscal year ended September 29, 1996. Starbucks retail objective is to become the leading retailer and brand of coffee in each of its target markets by selling the finest quality coffees and related products, and by providing a superior level of customer service, thereby building a high degree of customer loyalty. Of the 1,006 Starbucks stores open on September 29, 1996, 929 were Company-operated retail stores located in 21 states, the District of Columbia, British Columbia and Ontario, Canada. Licensees operated 75 stores in North America. In addition, the first two Starbucks stores outside North America opened in Tokyo, Japan during the fourth quarter of fiscal 1996.

In addition to its retail operations, the Company sells primarily whole bean coffees through a specialty sales group and a national direct response business. The Company has also entered into joint ventures with the Pepsi-Cola Company, a division of PepsiCo, Inc. ("Pepsi"), to develop ready-to-drink coffee-based products and with Dreyer's Grand Ice Cream, Inc. ("Dreyer's") to develop premium coffee ice cream products.

RETAIL STORES. Starbucks stores are typically clustered in high-traffic, high-visibility locations in each market. Because the Company has the ability to vary the size of its stores, Starbucks stores are located in a variety of settings, including office buildings, downtown and suburban retail centers, and kiosks located generally in building lobbies, airport terminals, supermarket foyers, and university campuses. While the Company selectively locates stores in suburban malls, its focus is on stores that are convenient for pedestrian street traffic.

The Company combines its merchandising strategy with its marketing programs to create and reinforce a distinctive brand image for its coffees. The Company's merchandising strategy is reflected in its product mix, product pricing, and sale and educational materials.

All Starbucks stores offer a choice of regular or decaffeinated coffee beverages, changing "coffees of the day," and a broad selection of Italian-style espresso beverages, as well as distinctively packaged, freshly roasted whole bean coffees, a selection of fresh pastries and other food items, sodas, juices, tea, and coffee-related hardware products and equipment. During fiscal 1996, the Company's retail sales mix by product type was approximately 61% coffee beverages, 15% whole bean coffees, 16% food items, and 8% coffee-related hardware products and equipment.

The product mix in each store varies and is dependent on the size of the store and its location. Larger stores carry a revolving selection that can include any of the Company's whole bean coffees and a range of coffee-related products,

including exclusive, high-quality coffee-making equipment as well as accessories bearing various Company trademarks, such as coffee mugs, coffee grinders, storage containers, coffee filters, and finely packaged gourmet food products. The smaller stores and kiosks typically sell a full line of coffee beverages, a limited selection of whole bean coffees and a few hardware items, most notably logo mugs and small equipment items.

The Company and its licensees intend to open at least 325 new stores in North America during fiscal 1997. The Company plans to enter at least three major new markets in North America during fiscal 1997, including Phoenix, Arizona, and Miami, Florida. For information on expansion plans outside of continental North America, see discussion below under International.

OTHER DISTRIBUTION CHANNELS. Starbucks retail expansion strategy is to increase its market share in existing markets and to open stores in new markets where it believes it can become the leading specialty coffee retailer. In addition, the Company will continue to expand its specialty sales and direct response operations, and will selectively pursue other distribution channels.

Specialty Sales. Specialty Sales includes distribution to restaurants and a wide range of institutional customers, including airlines, hotels, wholesale warehouses, business offices, multi-unit retailers, universities, hospitals, and country clubs. Specialty sales revenues (which for financial reporting purposes include royalties and fees from licensees as well as sales of products to licensees and joint ventures) accounted for approximately 11% of the Company's net revenues during the fiscal year ended September 29, 1996. Starbucks is committed to expanding its specialty sales operations. During fiscal 1996, the Company entered into an alliance with U.S. Office Products to serve Starbucks coffee in the workplace environment.

Licensed Stores. Starbucks has entered into a development agreement that allows Host International, Inc. ("Host") to operate Starbucks retail stores in airport locations. Starbucks receives a license fee and a royalty from Host and sells coffee to Host for resale in the licensed airport stores. All licensed airport stores operated by Host must follow Starbucks detailed store operating procedures and all Host managers and employees who work in the licensed airport stores must receive the same core training given to Starbucks store managers and employees. During fiscal 1996, the Company entered into a licensing arrangement with ARAMARK Food and Services Group, Inc. ("ARAMARK") to put licensed Starbucks operations at various locations operated by ARAMARK. During the fiscal year ended September 29, 1996, sales to and royalties from licensees were approximately one percent of the Company's net revenues.

Starbucks does not currently intend to turn over operational control of Starbucks stores in North America in any environment in which it can control retail space; however, in limited situations where a master concessionaire controls the retail space, Starbucks may consider licensing its operations.

Direct Response. The Company publishes a mail order catalog that is distributed approximately six times a year and which offers its coffees, certain food items, and select coffee-making equipment and accessories. The Company ships products to customers located in all 50 states and many foreign countries. Direct Response also operates an electronic store on America Online, allowing customers to order their favorite coffees and products. During fiscal 1996, Direct Response accounted for approximately three percent of the Company's net revenues. Management believes its direct response operations will continue to support its retail store expansion into new markets and reinforce brand recognition in existing markets.

Joint Ventures. The Company has entered into a joint venture agreement with Pepsi, to develop and distribute ready-to-drink coffee-based products. The joint venture agreement contemplates the distribution of products within the United States and Canada by Pepsi-owned and independently licensed bottlers and other distributors or retailers. In May 1996, the joint venture introduced bottled Frappuccino (TM) coffee drink in supermarkets and other retail points of distribution throughout the West Coast. Frappuccino (TM) coffee drink is currently available in two flavors - coffee and mocha. Based on trade and consumer reception of this product, the joint venture is planning wider distribution. The joint venture concluded test marketing of

MAZAGRAN (TM), a lightly carbonated coffee drink, and currently does not have plans to market this product nationwide.

On October 31, 1995, the Company announced an agreement to form a joint venture with Dreyer's to develop and distribute Starbucks premium coffee ice creams. During fiscal 1996, the joint venture introduced five flavors of Starbucks Ice Cream, available in grocery stores throughout the United States.

International. The Company considers locations outside of continental North America to be part of its international operations. On October 25, 1995, the Company signed an agreement with SAZABY Inc., a Japanese retailer and restaurateur, to form a joint venture which will primarily develop Starbucks retail stores in Japan. The joint venture opened its first two stores in Tokyo, Japan during fiscal 1996. The joint venture currently anticipates opening ten to twelve additional stores in Japan during fiscal 1997.

On August 3, 1996, the Company signed a joint venture partnership agreement with a Hawaii-based management team formed by the MacNaughton Group, to develop Starbucks locations in Hawaii. The joint venture opened the first Starbucks retail location in Hawaii during the first quarter of fiscal 1997.

The Company also signed an agreement with a subsidiary of Bonvests Holding Limited ("Bonvests") on August 8, 1996, that makes them a licensee for Starbucks retail locations in Singapore. The first retail location in Singapore opened during the first quarter of fiscal 1997. The Company and Bonvests currently anticipate opening five additional stores in Singapore in fiscal 1997.

PRODUCT SUPPLY. The Company depends upon both its outside brokers and its direct contacts with exporters in countries of origin for the supply of its primary raw material, green coffee. Coffee is the world's second largest traded commodity and its supply and price are subject to volatility. Although most coffee trades in the commodity market, coffee of the quality sought by the Company tends to trade on a negotiated basis at a substantial premium above commodity coffee pricing, depending upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, political and economic conditions. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations, such as the International Coffee Organization and the Association of Coffee Producing Countries, which have historically attempted to influence commodity prices of green coffee through agreements establishing export quotas or restricting coffee supplies worldwide.

Green coffee commodity prices are subject to substantial price fluctuations, generally a result of reports of adverse growing conditions in certain coffee-producing countries. Due to green coffee commodity price increases, the Company effected sales price increases during fiscal 1994 and 1995 to mitigate the effects of anticipated increases in its cost of goods sold. Because the Company had established fixed purchase prices for some of its supply of green coffees, the Company's margins were favorably impacted by such sales price increases during much of fiscal 1995. During the latter part of fiscal 1995 and throughout fiscal 1996, gross margins were negatively impacted relative to the prior year by the sell-through of higher-cost coffee inventories. The Company expects to have sold most of these higher-cost coffees by the end of the first quarter of fiscal 1997.

The Company enters into fixed price purchase commitments in order to secure an adequate supply of quality green coffee and fix costs for future periods. As of September 29, 1996, the Company had approximately \$47 million in fixed price purchase commitments which, together with existing inventory, is expected to provide an adequate supply of green coffee well into fiscal 1997. The Company believes, based on relationships established with its suppliers in the past, that the risk of non-delivery on such purchase commitments is remote.

In addition, the Company may from time to time purchase coffee futures contracts to provide additional price protection when it is not able to enter into fixed price purchase commitments. There can be no assurance that these activities will successfully protect the Company against the risks of increases in coffee prices or that they will not

result in the Company having to pay substantially more for its supply than it would have been required to pay absent such activities. The Company did not engage in any hedging activities or futures contracts in fiscal 1996.

Specialty foods, such as pastries, are generally purchased from local sources based on quality and price. Items bearing the Company's logos and trademarks are purchased under contract. Hardware items, such as coffee makers, are generally purchased directly from manufacturers.

COMPETITION. The Company's whole bean coffees compete directly against specialty coffees sold at retail through supermarkets, specialty retailers, and a growing number of specialty coffee stores. The Company's coffee beverages compete directly against all restaurant and beverage outlets that serve coffee and a growing number of espresso stands, carts, and stores. Both the Company's whole bean coffees and its coffee beverages compete indirectly against all other coffees on the market. The Company believes that its customers choose among retailers primarily on the basis of quality and convenience, and, to a lesser extent, on price.

Management believes that supermarkets pose the greatest competitive challenge in the whole bean coffee market, in part because supermarkets offer customers the convenience of not having to make a separate trip to the Company's stores. A number of nationwide coffee manufacturers, such as Kraft General Foods, Procter & Gamble, and Nestle, are distributing premium coffee products in supermarkets, which products may serve as substitutes for the Company's coffees. Regional specialty coffee companies also sell whole bean coffees in supermarkets.

In addition, the Company competes for whole bean coffee sales with franchise operators and independent specialty coffee stores in both the United States and Canada. There are a number of competing specialty coffee retailers, such as Second Cup, a Canadian franchisor with stores primarily in Canada. Second Cup also owns Gloria Jeans, a franchisor of specialty coffee stores, with locations primarily in malls throughout the United States. In addition, in virtually every major metropolitan area where Starbucks operates and expects to expand, there are local or regional competitors with substantial market presence in the specialty coffee business.

The Company's primary competitors for beverage sales are restaurants, shops, and street carts. In almost all markets in which the Company does business there has been a significant increase in competition in the specialty coffee beverage business and management expects this trend to continue. Although competition in the beverage market is currently fragmented, a major competitor with substantially greater financial, marketing and operating resources than the Company could enter this market at any time and compete directly against the Company.

In addition, the Company competes with established suppliers in its specialty sales and direct response businesses, many of whom have greater financial and marketing resources than the Company. The Company also expects that competition for suitable sites for new stores to support the Company's planned growth will be intense. The Company competes against both restaurants and other specialty retailers for these sites, and there can be no assurance that management will be able to continue to secure adequate sites at acceptable rent levels. The Company also competes for qualified personnel to operate its retail stores.

PATENTS, TRADEMARKS AND COPYRIGHTS. The Company owns and/or has applied to register numerous trademarks and service marks in the United States, Canada and in some sixty countries throughout the world. One of the Company's subsidiaries, The Coffee Connection, Inc. ("The Coffee Connection"), also owns a number of trademarks and service marks in the United States, Canada and elsewhere, including registrations for "The Coffee Connection" name and logo. Some of the Company's trademarks, including "Starbucks," the Starbucks logo and "Frappuccino," are of material importance to the Company. Trademarks are generally valid as long as they are in use and/or their registrations are properly maintained, and they have not been found to have become generic. Trademark registrations can generally be renewed indefinitely so long as the marks are in use.

The Company owns numerous copyrights for its product packaging, promotional materials, in-store graphics, and training materials, among other things. The Company also holds patents on certain products and systems. While valuable, individual copyrights and patents currently held by the Company are not viewed as material to the Company's business.

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

EMPLOYEES. As of September 29, 1996, the Company employed approximately 16,600 individuals, including approximately 15,000 in retail stores and regional offices, and the remainder in the Company's administrative, sales, real estate, direct response, roasting, and warehousing operations. As of September 29, 1996, five of the Company's stores (out of a total of 929 Company-operated stores in North America), located in Vancouver, British Columbia, were unionized. Starbucks has never experienced a strike or work stoppage, and the Company believes that its relations with its employees are excellent.

FORWARD-LOOKING STATEMENTS. Some of the information in this Form 10-K, including anticipated store openings, planned capital expenditures, and trends in the Company's operations, are forward-looking statements which are subject to risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, coffee and other raw material prices and availability, successful execution of internal performance and expansion plans, impact of competition, availability of financing, legal proceedings, and other risks detailed in the Company's Securities and Exchange Commission filings and the documents incorporated by reference therein.

Item 2. Properties

Starbucks currently operates three roasting and distribution facilities: two in the Seattle area, and one in East Manchester Township, York County, Pennsylvania. In the Seattle area, the Company leases approximately 92,000 square feet in one building located in Seattle, Washington, pursuant to a lease extendible through 2009 (the "Seattle Plant"), and owns an additional roasting plant and distribution facility of approximately 305,000 square feet located in Kent, Washington. The Company has a lease agreement with York County Industrial Development Corporation for a roasting and distribution facility (the "York Plant"), providing for approximately 365,000 square feet initially. The lease has a 15 year term and the Company has an option to purchase the land and building within five years of the date of occupancy. Such option to purchase also provides that the Company may purchase, within seven years of occupancy, additional land adjacent to the York Plant which would expand it to 1,000,000 square feet. The Company is party to a letter of intent and a commitment letter which provide that in the event that the Company exercises its option to purchase the York Plant, the Company will have the right to assume loans incurred in connection with the development of it. The Company has determined that it no longer needs its much-smaller roasting plant located in Boston (which formerly operated as the roasting plant for The Coffee Connection) and has sublet it to a third party. The lease on this facility runs through 2002.

The Company leases approximately 302,000 square feet used for administrative offices in Seattle, Washington, and has options to lease approximately 298,000 additional square feet. The Company owns 2.36 acres (102,800 square feet) of undeveloped land adjacent to the Seattle Plant, which is currently used for parking.

As of September 29, 1996, Starbucks operated a total of 929 retail stores. All Starbucks stores are located in leased premises. The Company also leases office space for regional, district and other administrative offices.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1996.

PART II

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

The information required by this item is incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, and is filed herewith as Exhibit 13.1.

Item 6. Selected Financial Data

The information required by this item is incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, and is filed herewith as Exhibit 13.2.

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

The information required by this item is incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, and is filed herewith as Exhibit 13.3.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, and is filed herewith as Exhibit 13.4.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning the directors of the Company is incorporated herein by reference to pages 3 through 5 of the definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on March 6, 1997. The required information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference to page 12 of the definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on March 6, 1997, which will be filed within 120 days after the end of the Company's fiscal year.

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

Name	Age	Position	Executive Officer Since
Howard Schultz	43	chairman of the board and chief executive officer	1985
Orin Smith	54	director, president and chief operating officer	1990
Howard Behar	52	director and president, Starbucks International	1989
Scott Bedbury	39	senior vice president, marketing	1995
Michael Casey	51	senior vice president and chief financial officer	1995
Vincent Eades	37	senior vice president, specialty sales and marketing	1995
Carol Eastin	55	senior vice president, management information systems	1993
Sharon E. Elliott	45	senior vice president, human resources	1994
E. R. (Ted) Garcia	49	senior vice president, supply chain operations	1995
Wanda Herndon	44	senior vice president, communications and public affairs	1996
Shelley B. Lanza	40	senior vice president, law & corporate affairs and general counsel	1995
David M. Olsen	50	senior vice president, coffee	1991
John A. Rodgers	65	senior vice president, new business development	1991
Arthur I. Rubinfeld	43	senior vice president, store development	1992
Deidra Wager	41	senior vice president, retail operations	1993

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

Howard Schultz is the founder of the Company and has been chairman of the Board and chief executive officer since its inception in 1985. From 1985 to June 1994, Mr. Schultz was also the Company's president. From September 1982 to December 1985, Mr. Schultz was the director of retail operations and marketing for Starbucks Coffee Company, a predecessor to the Company; and from January 1986 to July 1987, he was the chairman of the Board, chief executive officer, and president of Il Giornale Coffee Company, a predecessor to the Company.

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

Howard Behar joined the Company in 1989 and has served as president of Starbucks International since June 1994. From February 1993 to June 1994, Mr. Behar served as the Company's executive vice president, sales and operations. From February 1991 to February 1993, Mr. Behar served as senior vice president, retail operations of the Company and from August 1989 to January 1991, he served as the Company's vice president, retail stores.

Scott Bedbury joined Starbucks in June 1995 as senior vice president, marketing. From November 1987 to October 1994, Mr. Bedbury held the position of worldwide director of advertising for Nike, Inc. Prior to joining Nike, Inc., Mr. Bedbury was vice president for Cole and Weber Advertising in Seattle, Washington, which is an affiliate of Ogilvy and Mather.

Michael Casey joined Starbucks in 1995 as senior vice president and chief financial officer. Prior to joining Starbucks, Mr. Casey served as executive vice president and chief financial officer of Family Restaurants, Inc. from its inception in 1986. During his tenure there, he also served as a director from 1986 to 1993, and as president of its El Torito Restaurants, Inc. division from 1988 to 1993.

Vincent Eades joined Starbucks in April 1995 as senior vice president, specialty sales and marketing. From February 1993 to April 1995, Mr. Eades served as a regional sales manager for Hallmark Cards, Inc. From August 1989 to February 1993, Mr. Eades was general manager of the Christmas Celebrations business unit at Hallmark Cards, Inc.

Carol Eastin joined Starbucks in 1991 and has served as the Company's senior vice president, management information systems since June 1993. From November 1991 to June 1993, Ms. Eastin served as the vice president, management information systems of the Company. From September 1986 to September 1990, she served as the director of corporate systems for McDonald's (R) Corporation.

Sharon E. Elliott joined Starbucks in 1994 as senior vice president, human resources. From September 1993 to June 1994, Ms. Elliott served as the corporate director, staffing and development of Allied Signal Corporation. From July 1987 to August 1993, she held several human resources management positions with Bristol-Myers Squibb, including serving as the director of human resources--corporate staff.

E. R. (Ted) Garcia joined Starbucks in April 1995 as senior vice president, supply chain operations. From May 1993 to April 1995, Mr. Garcia was an executive for Gemini Consulting. From January 1990 until May 1993, he was the vice president of operations strategy for Grand Metropolitan PLC, Food Sector.

Wanda Herndon joined Starbucks in July 1995 as vice president, communications and public affairs and was promoted to senior vice president, communications and public affairs in November 1996. From February 1990 to June 1995, Ms. Herndon held several communications management positions at DuPont. Prior to that time, Ms. Herndon held several public affairs and marketing communications positions for Dow Chemical Company.

Shelley B. Lanza joined Starbucks in June 1995 as senior vice president and general counsel. From 1986 to 1995, Ms. Lanza served as vice president and general counsel of Honda of America Manufacturing, Inc. From 1982 to 1986, Ms. Lanza practiced law at the law firm of Vorys, Sater, Seymour and Pease in Columbus, Ohio.

David M. Olsen joined Starbucks in 1986 and has served as the Company's senior vice president, coffee since September 1991. From November 1987 to September 1991, Mr. Olsen served as its vice president, coffee, and from February 1986 to November 1987, he served as the Company's director of training.

John A. Rodgers joined Starbucks in 1989 and has served as senior vice president, new business development since February 1993. From February 1991 to February 1993, he served as the Company's senior vice president--special projects. Since January 1982, Mr. Rodgers has also served as a general partner of Western Franchise Development Corporation, an owner and operator of several Red Robin Restaurants.

Arthur I. Rubinfeld joined the Company in 1992 as senior vice president, real estate. From April 1986 to May 1992, Mr. Rubinfeld served as a managing partner of Epsteen & Associates, a commercial real estate company.

Deidra Wager joined Starbucks in 1992 and has served as the Company's senior vice president, retail operations since August 1993. From September 1992 to August 1993, Ms. Wager served as the Company's vice president, operation services. From March 1992 to September 1992, she was the Company's California regional manager. From September 1988 to March 1992, Ms. Wager held several operations positions with Taco Bell, Inc., including having served as its director of operations systems development.

Item 11. Executive Compensation

The required information is incorporated by reference to pages 6 through 11 of the definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on March 6, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The required information is incorporated by reference to pages 2 through 3 of the definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on March 6, 1997.

Item 13. Certain Relationships and Related Transactions

The required information is incorporated by reference to page 12 of the definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on March 6, 1997.

PART IV

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

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

1. Financial Statements.

The Company's consolidated financial statements to be included in Part II, Item 8, are incorporated herein by reference to the Company's 1996 Annual Report to Shareholders, a copy of which accompanies this report on Form 10-K, and are filed herewith as Exhibit 13.4.

2. Financial Statement Schedule.

The following financial statement schedule of Starbucks Corporation for the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994 is filed as part of this report on Form 10-K and should be read in conjunction with the consolidated financial statements of the Company described in Item 14(a)(1) above.

SCHEDULE	PAGE
Schedule II Valuation and Qualifying Accounts	17

Schedules other than the one listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

3. Exhibits.

The Exhibits listed below and on the accompanying Index to Exhibits immediately following the financial statement schedule are filed as part of, or incorporated by reference into, this report.

EXHIBIT NO. DESCRIPTION

3.1	Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.1	Amendment dated November 22, 1995 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.2	Amendment dated March 18, 1996 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.2 to the Company's Form 10-Q for the quarterly period ended March 31, 1996, filed with the SEC on May 15, 1996)
3.2	Amended and Restated Bylaws of Starbucks Corporation (incorporated herein by reference to Exhibit 3.2 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)

- 4.1 Indenture, dated as of October 24, 1995, between Starbucks Corporation and First Interstate Bank of Washington, N.A., as Trustee (incorporated herein by reference to Exhibit 4.3 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 4.2 Form of Debenture relating to the Indenture described in Exhibit 4.3 (included in Exhibit 4.3) (incorporated herein by reference to Exhibit 4.4 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.1 Starbucks Corporation Key Employee Stock Option Plan--1994 (incorporated herein by reference to Appendix A to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
- 10.1.1 Starbucks Corporation Key Employee Stock Option Plan--1994, as amended*/**
- 10.2 Starbucks Corporation 1989 Stock Option Plan for Non-Employee Directors, as amended (incorporated herein by reference to Appendix B to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
- 10.2.1 Starbucks Corporation 1989 Stock Option Plan for Non-Employee Directors, as amended*/**
- 10.3 Starbucks Corporation 1991 Company-Wide Stock Option Plan, as amended (incorporated herein by reference to the Company's Registration Statement No. 33-52528 on Form S-8, filed with the SEC on September 28, 1992)*
- 10.3.1 Starbucks Corporation 1991 Company-Wide Stock Option Plan, as amended*/**
- 10.4 Starbucks Corporation Employee Stock Purchase Plan -- 1995 (incorporated herein by reference to Appendix C to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
- 10.5 Industrial Lease, dated March 31, 1989, between Starbucks Corporation, David A. Sabey and Sandra L. Sabey (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement No. 33-47951 on Form S-1, filed with the SEC on May 15, 1992)
- 10.6 Office Lease, dated as of July 15, 1993, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K for the Fiscal Year ended October 3, 1993, filed with the SEC on December 30, 1993)
- 10.7 Development Agreement, dated as of February 11, 1994, between Starbucks Corporation and Host International, Inc. (incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K for the Fiscal Year ended October 2, 1994, filed with the SEC on December 23, 1994)
- 10.8 Special Warranty Deed, dated March 7, 1994, between Kent North Corporate Park, as grantor and Starbucks Corporation, as grantee (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the Fiscal Year ended October 2, 1994, filed with the SEC on December 23, 1994)

- 10.9 Agreement and Plan of Merger, dated as of April 30, 1994, among Starbucks Corporation, TCC Acquisition Corp., and The Coffee Connection, Inc. (incorporated herein by reference to Exhibit 2 to the Company's Form 10-Q for the Quarterly Period ended April 3, 1994, filed with the SEC on May 26, 1994)
- 10.10 Joint Venture and Partnership Agreement, dated August 10, 1994, between Pepsi-Cola Company, a division of PepsiCo, Inc., and Starbucks New Venture Company (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the Quarterly Period ended July 3, 1994, filed with the SEC on August 16, 1994)
- 10.11 Lease, dated August 22, 1994, between York County Industrial Development Corporation and Starbucks Corporation (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the Quarterly Period Ended July 2, 1995, filed with the SEC on August 15, 1995)
- 10.12 Credit Agreement, dated October 24, 1994, between Starbucks Corporation and Seattle-First National Bank (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement No. 33-85172 on Form S-3, filed with the SEC on October 14, 1994)
- 10.13 Second Amendment to Office Lease, dated as of January 1, 1995, between First & Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to the Company's Registration Statement No. 33-93974 on Form S-3, filed with the SEC on June 27, 1995)
- 10.14 Starbucks Corporation Amended and Restated Consulting/Employment Agreement with Jeffrey H. Brotman, dated as of January 14, 1995 (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.15 Series B Preferred Stock Purchase Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)
- 10.16 Amended and Restated Investor Rights Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)
- 10.17 Amended and Restated Voting Rights Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed on April 28, 1995)
- 10.18 Protective Covenants Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)

10.19	Third Amendment to Office Lease, dated as of September 30, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
10.20	Amendment to Credit Agreement and Note, dated October 23, 1995 between Starbucks Corporation and Seattle-First National Bank (incorporated herein by reference to Exhibit 10.20 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
10.21	Merger Agreement among Noah's New York Bagels, Inc. Shareholders and Certain Optionholders of Noah's New York Bagels, Inc., Einstein Brothers Bagels, Inc. and NNYB Acquisition Corporation, dated January 22, 1996 (incorporated herein by reference to Exhibit 10.21 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)
10.22	Amendment dated February 1, 1996, to Merger Agreement among Noah's New York Bagels, Inc., Shareholders and Certain Optionholders of Noah's New York Bagels, Inc., Einstein Brothers Bagels, Inc. and NNYB Acquisition Corporation dated January 22, 1996 (incorporated herein by reference to Exhibit 10.22 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)
10.23	Master Licensing Agreement between the Company and ARAMARK Food and Services Group, Inc. dated as of January 30, 1996, as amended and restated May 7, 1996 (incorporated herein by reference to Exhibit 10.23 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)
11	Computation of Per Share Earnings**
12	Ratio of Earnings to Fixed Charges**
13.1	Market Information. (Incorporated by reference to page 27 of the 1996 Annual Report to Shareholders (the "1996 Annual Report"))
13.2	Selected Financial Data (Incorporated by reference to Page 28 of the 1996 Annual Report.)
13.3	Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporated by reference to pages 29 through 33 of the 1996 Annual Report).
13.4	Financial Statements (Incorporated by reference to pages 34, 35, 36 and 37 of the 1996 Annual Report.)
21	Subsidiaries of the Registrant**
23	Independent Auditors' Consent
27	Financial Data Schedule

* Management contract or compensatory plan or arrangement.

** -filed as Exhibits 10.1.1, 10.2.1, 10.3.1, 11, 12 and 21 respectively, to Form 10-K dated December 26, 1996

(b) REPORTS ON FORM 8-K No reports on Form 8-K were filed by the Company during the fiscal quarter ended September 29, 1996.

SIGNATURES

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

STARBUCKS CORPORATION

By: /s/ M. Michael Casey

*M. Michael Casey
senior vice president and
chief financial officer*

January 31, 1997

STARBUCKS CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Balance at End of Year

Allowance for Doubtful Accounts		
Fiscal Year Ended September 29, 1996	\$242,000	\$116,000
Fiscal Year Ended October 1, 1995	\$126,000	\$242,000
Fiscal Year Ended October 2, 1994	\$ 71,000	\$126,000

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.1	Amendment dated November 22, 1995 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.1 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
3.1.2	Amendment dated March 18, 1996 to the Restated Articles of Incorporation of Starbucks Corporation (incorporated herein by reference to Exhibit 3.1.2 to the Company's Form 10-Q for the quarterly period ended March 31, 1996, filed with the SEC on May 15, 1996)
3.2	Amended and Restated Bylaws of Starbucks Corporation (incorporated herein by reference to Exhibit 3.2 to the Company's Form 10-Q for the fiscal quarter ended March 31, 1996, filed with the SEC on May 15, 1996)
4.1	Indenture, dated as of October 24, 1995, between Starbucks Corporation and First Interstate Bank of Washington, N.A., as Trustee (incorporated herein by reference to Exhibit 4.3 to the Company's Form 10-K)

for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)

- 4.2 Form of Debenture relating to the Indenture described in Exhibit 4.3 (included in Exhibit 4.3) (incorporated herein by reference to Exhibit 4.4 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.1 Starbucks Corporation Key Employee Stock Option Plan--1994 (incorporated herein by reference to Appendix A to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
 - 10.1.1 Starbucks Corporation Key Employee Stock Option Plan--1994, as amended*/**
- 10.2 Starbucks Corporation 1989 Stock Option Plan for Non-Employee Directors, as amended (incorporated herein by reference to Appendix B to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
 - 10.2.1 Starbucks Corporation 1989 Stock Option Plan for Non-Employee Directors, as amended*/**
- 10.3 Starbucks Corporation 1991 Company-Wide Stock Option Plan, as amended (incorporated herein by reference to the Company's Registration Statement No. 33-52528 on Form S-8, filed with the SEC on September 28, 1992)*/**
 - 10.3.1 Starbucks Corporation 1991 Company-Wide Stock Option Plan, as amended*/**
- 10.4 Starbucks Corporation Employee Stock Purchase Plan -- 1995 (incorporated herein by reference to Appendix C to the Company's 1994 Proxy Statement filed with the SEC on December 23, 1994)*
- 10.5 Industrial Lease, dated March 31, 1989, between Starbucks Corporation, David A. Sabey and Sandra L. Sabey (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement No.

33-47951 on Form S-1, filed with the SEC on May 15, 1992)

- 10.6 Office Lease, dated as of July 15, 1993, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K for the Fiscal Year ended October 3, 1993, filed with the SEC on December 30, 1993)
- 10.7 Development Agreement, dated as of February 11, 1994, between Starbucks Corporation and Host International, Inc. (incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K for the Fiscal Year ended October 2, 1994, filed with the SEC on December 23, 1994)
- 10.8 Special Warranty Deed, dated March 7, 1994, between Kent North Corporate Park, as grantor and Starbucks Corporation, as grantee (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the Fiscal Year ended October 2, 1994, filed with the SEC on December 23, 1994)
- 10.9 Agreement and Plan of Merger, dated as of April 30, 1994, among Starbucks Corporation, TCC Acquisition Corp., and The Coffee Connection, Inc. (incorporated herein by reference to Exhibit 2 to the Company's Form 10-Q for the Quarterly Period ended April 3, 1994, filed with the SEC on May 26, 1994)
- 10.10 Joint Venture and Partnership Agreement, dated August 10, 1994, between Pepsi-Cola Company, a division of PepsiCo, Inc., and Starbucks New Venture Company (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the Quarterly Period ended July 3, 1994, filed with the SEC on August 16, 1994)
- 10.11 Lease, dated August 22, 1994, between York County Industrial Development Corporation and Starbucks Corporation (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the Quarterly Period Ended July 2, 1995, filed with the SEC on August 15, 1995)

- 10.12 Credit Agreement, dated October 24, 1994, between Starbucks Corporation and Seattle-First National Bank (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement No. 33-85172 on Form S-3, filed with the SEC on October 14, 1994)
- 10.13 Second Amendment to Office Lease, dated as of January 1, 1995, between First & Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to the Company's Registration Statement No. 33-93974 on Form S-3, filed with the SEC on June 27, 1995)
- 10.14 Starbucks Corporation Amended and Restated Consulting/Employment Agreement with Jeffrey H. Brotman, dated as of January 14, 1995 (incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.15 Series B Preferred Stock Purchase Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)
- 10.16 Amended and Restated Investor Rights Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)
- 10.17 Amended and Restated Voting Rights Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed on April 28, 1995)

- 10.18 Protective Covenants Agreement dated March 31, 1995, among Starbucks Corporation, Noah's New York Bagels, Inc. and certain shareholders of Noah's New York Bagels, Inc. (incorporated herein by reference to the Company's Registration Statement No. 33-91780 on Form S-3, filed with the SEC on April 28, 1995)
- 10.19 Third Amendment to Office Lease, dated as of September 30, 1995, between First and Utah Street Associates, L.P. and Starbucks Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.20 Amendment to Credit Agreement and Note, dated October 23, 1995 between Starbucks Corporation and Seattle-First National Bank (incorporated herein by reference to Exhibit 10.20 to the Company's Form 10-K for the Fiscal Year ended October 1, 1995, filed with the SEC on December 28, 1995)
- 10.21 Merger Agreement among Noah's New York Bagels, Inc. Shareholders and Certain Optionholders of Noah's New York Bagels, Inc., Einstein Brothers Bagels, Inc. and NNYB Acquisition Corporation, dated January 22, 1996 (incorporated herein by reference to Exhibit 10.21 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)
- 10.22 Amendment dated February 1, 1996, to Merger Agreement among Noah's New York Bagels, Inc., Shareholders and Certain Optionholders of Noah's New York Bagels, Inc., Einstein Brothers Bagels, Inc. and NNYB Acquisition Corporation dated January 22, 1996 (incorporated herein by reference to Exhibit 10.22 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)
- 10.23 Master Licensing Agreement between the Company and ARAMARK Food and Services Group, Inc. dated as of January 30, 1996, as amended and restated May 7,

1996 (incorporated herein by reference to Exhibit 10.23 to the Company's Form 10-Q for the Quarterly Period Ended March 31, 1996, filed with the SEC on May 15, 1996)

11	Computation of Per Share Earnings**
12	Ratio of Earnings to Fixed Charges**
13.1	Market Information. (Incorporated by reference to page 27 of the 1996 Annual Report to Shareholders (the "1996 Annual Report"))
13.2	Selected Financial Data (Incorporated by reference to Page 28 of the 1996 Annual Report.)
13.3	Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporated by reference to pages 29 through 33 of the 1996 Annual Report).
13.4	Financial Statements (Incorporated by reference to pages 34, 35, 36 and 37 of the 1996 Annual Report.)
21	Subsidiaries of the Registrant**
23	Independent Auditors' Consent
27	Financial Data Schedule

* Management contract or compensatory plan or arrangement.

** -filed as Exhibits 10.1.1, 10.2.1, 10.3.1, 11, 12 and 21 respectively, to

Exhibit 13.1**SHAREHOLDER INFORMATION****(STARBUCKS CORPORATION)**

Market Information and Dividend Policy The Company's Common Stock is traded on the NASDAQ National Market System under the symbol "SBUX". The following table sets forth the quarterly high and low sale prices per share of the Common Stock as reported on the NASDAQ National Market System for each quarter during the last two fiscal years, retroactively adjusted for the two-for-one stock split on December 1, 1995.

Fiscal year ended	High		Low	
September 29, 1996				
First Quarter	\$23	1/2	\$16	15/16
Second Quarter	23	5/8	14	1/2
Third Quarter	29	5/8	24	1/8
Fourth Quarter	35	7/8	23	
October 1, 1995				
First Quarter	\$14	5/8	\$10	3/4
Second Quarter	13	11/16	11	1/8
Third Quarter	18	5/8	11	5/8
Fourth Quarter	22	1/8	17	7/16

As of November 18, 1996, the approximate number of common shareholders of record was 6,710. The Company has never paid any dividends on its Common Stock. The Company presently intends to retain earnings for use in its business and therefore does not anticipate declaring a cash dividend in the near future.

Exhibit 13.2**SELECTED FINANCIAL DATA**

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

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

As of and for the fiscal year ended:	Sept 29, 1996 (52 Wks)	Oct 1, 1995 (52 Wks)	Oct 2, 1994 (52 Wks)	Oct 3, 1993 (53 Wks)	Sept 27, 1992 (52 Wks)
	-----	-----	-----	-----	-----
Results of Operations Data:					
Net revenues					
Retail	\$600,067	\$402,655	\$248,495	\$153,610	\$ 89,669
Specialty Sales	78,655	48,143	26,543	15,952	10,143
Direct Response	17,759	14,415	9,885	6,979	3,385
	-----	-----	-----	-----	-----
Total net revenues	696,481	465,213	284,923	176,541	103,197
Operating income	56,993	40,116	23,298	12,618	7,113
Provision for merger costs(1)	--	--	3,867	--	--
Gain on sale of investment in Noah's(2)	9,218	--	--	--	--
Net earnings	\$ 42,128	\$ 26,102	\$ 10,206	\$ 8,282	\$ 4,454
	-----	-----	-----	-----	-----
Net earnings per common and common equivalent share -- fully-diluted(3)	\$ 0.54	\$ 0.36	\$ 0.17	\$ 0.14	\$ 0.09
	-----	-----	-----	-----	-----
Cash dividends per share	--	--	--	--	--
	-----	-----	-----	-----	-----
Balance Sheet Data:					
Working capital	\$238,450	\$134,304	\$ 44,162	\$ 42,092	\$ 40,142
Total assets	726,613	468,178	231,421	201,712	91,547
Long-term debt (including current portion)	167,980	81,773	80,500	82,100	1,359
Redeemable preferred stock	--	--	--	4,944	--
Shareholders' equity	451,660	312,231	109,898	88,686	76,923

(1) Provision for merger costs reflects expenses related to the merger with The Coffee Connection, Inc. in fiscal 1994.

(2) Gain on sale of investment in Noah's of \$9,218 (\$5,669 after tax) results from the sale of Noah's New York Bagel, Inc. ("Noah's") stock in fiscal 1996.

(3) Earnings per share is based on the weighted average shares outstanding during the period plus, when their effect is dilutive, common stock equivalents consisting of certain shares subject to stock options. Fully-diluted earnings per share assumes conversion of the Company's convertible subordinated debentures using the "if converted" method, when such securities are dilutive, with net income adjusted for the after-tax interest expense and amortization applicable to these debentures.

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

General Starbucks presently derives approximately 86% of net revenues from its Company-operated retail stores. The Company's specialty sales operations, which include sales to wholesale customers, licensees, and joint ventures, accounted for approximately 11% of net revenues in fiscal 1996. Direct response operations account for the remainder of net revenues.

The Company's net revenues have increased from \$284.9 million in fiscal 1994 to \$696.5 million in fiscal 1996, due primarily to the Company's store expansion program and comparable store sales increases. Comparable store sales increased by 9% and 7% in fiscal 1995 and 1996, respectively. As part of its expansion strategy of clustering stores in existing markets, Starbucks has experienced a certain level of cannibalization of existing stores by new stores as the store concentration has increased, but management believes such cannibalization has been justified by the incremental sales and return on new store investment. The Company anticipates that this cannibalization, as well as increased competition and other factors, may continue to put downward pressure on its comparable store sales growth in future periods.

The Company's fiscal year ends on the Sunday closest to September 30. Fiscal years 1996, 1995, and 1994 each had 52 weeks.

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

Fiscal year ended:	Sept 29, 1996 (52 wks)	Oct 1, 1995 (52 wks)	Oct 2, 1994 (52 wks)
	-----	-----	-----
Statements of Earnings Data:			
Net revenues			
Retail	86.2%	86.6%	87.2%
Specialty Sales	11.3	10.3	9.3
Direct Response	2.5	3.1	3.5
	-----	-----	-----
Total net revenues	100.0	100.0	100.0
Cost of sales and related occupancy costs	48.2	45.4	45.7
Store operating expenses(1)	35.1	36.9	36.3
Other operating expenses	2.8	3.0	3.1
Depreciation and amortization	5.2	4.8	4.4
General and administrative expenses	5.3	6.2	7.0
Operating income	8.2	8.6	8.2
Interest income	1.6	1.5	0.7
Interest expense	(1.3)	(0.8)	(1.3)
Gain on sale of investment in Noah's	1.3	0.0	0.0
Provision for merger costs	0.0	0.0	(1.4)
	-----	-----	-----
Earnings before income taxes	9.8	9.3	6.2
Income taxes	3.8	3.7	2.6
	-----	-----	-----
Net earnings	6.0%	5.6%	3.6%
	=====	=====	=====

(1) Shown as a percentage of retail sales.

(Results of Operations -- Fiscal 1996 Compared to Fiscal 1995)

Revenues Net revenues increased 50% to \$696.5 million for fiscal 1996, compared to \$465.2 million for fiscal 1995. Retail sales increased 49% to \$600.1 million from \$402.7 million. The increase in retail sales was due primarily to the addition of new Company-operated stores. In addition, comparable store sales increased 7% for the 52 weeks ended September 29, 1996 compared to the same 52-week period in fiscal 1995. Comparable store sales increases resulted from an increase in the number of transactions combined with an increase in the average dollar value per transaction.

During fiscal 1996, the Company opened 307 Starbucks stores (including four replacement stores), converted 19 Coffee Connection stores to Starbucks stores, and closed one store. Licensees opened 26 stores. The Company opened stores in several new markets including North Carolina, Rhode Island, and Ontario, Canada. The Company ended the fiscal year with 929 Company-operated stores and 75 licensed stores in North America.

Specialty Sales revenues increased 63% to \$78.7 million for fiscal 1996 from \$48.1 million for fiscal 1995. The increase was due primarily to the Company signing an agreement with a major U.S. airline as well as increased revenues from several hotels, a chain of wholesale clubs, office coffee distributors, and restaurants. Direct Response sales increased 23% to \$17.8 million for fiscal 1996 from \$14.4 million for fiscal 1995.

Costs and Expenses Cost of sales and related occupancy costs as a percentage of net revenues increased to 48.2% for fiscal 1996 compared to

45.4% for fiscal 1995. This increase was primarily the result of higher green coffee costs as a percentage of net revenues, partially offset by a shift in retail sales mix towards higher-margin products. By the end of the first quarter of fiscal 1997, the Company expects to have sold most of the higher-cost green coffees acquired subsequent to the 1994 frost in Brazil. Therefore, management expects cost of sales in fiscal 1997 to show improvement relative to fiscal 1996.

Store operating expenses as a percentage of retail sales decreased to 35.1% for fiscal 1996 from 36.9% for fiscal 1995. This improvement reflected lower retail advertising expense, store remodel expense, and preopening expense as a percentage of retail sales.

Other operating expenses (those associated with the Company's specialty sales and direct response operations as well as the Company's joint ventures) decreased to 2.8% of net revenues for fiscal 1996 from 3.0% for fiscal 1995 primarily from operational leverage on the Company's net revenue increase. Depreciation and amortization as a percentage of net revenues increased to 5.2% for fiscal 1996 from 4.8% for fiscal 1995. This increase was primarily the result of increased per-

store buildout costs in recent years relative to earlier history. After several years of increased per-store buildout costs, average store buildout costs declined in fiscal 1996 relative to fiscal 1995.

General and administrative expenses as a percentage of net revenues were 5.3% for fiscal 1996 compared to 6.2% for fiscal 1995. This decrease as a percentage of revenues was due primarily to lower payroll-related costs and professional fees as a percentage of net revenues.

Operating Income Operating income for fiscal 1996 increased to \$57.0 million (8.2% of net revenues) from \$40.1 million (8.6% of net revenues) for fiscal 1995. Operating income as a percentage of net revenues decreased due to higher cost of sales and an increase in depreciation and amortization, partially offset by lower store operating expenses, general and administrative expenses, and other operating expenses as a percentage of revenues.

Interest Income Interest income for fiscal 1996 was \$11.0 million compared to \$6.8 million for fiscal 1995. Average investment balances were higher during fiscal 1996 as a result of proceeds from the Company's October 1995 offering of 4-1/4% Convertible Subordinated Debentures due 2002 which generated \$161.0 million, net of issuance costs.

Gain on Sale of Investment in Noah's In March 1995, the Company invested \$11.3 million in cash for shares of Noah's New York Bagel, Inc. ("Noah's") Series B Preferred Stock. On February 1, 1996, Noah's was merged with Einstein Brothers Bagels, Inc., a retailer operating primarily in the Eastern United States. In exchange for its investment in Noah's, the Company received \$20.6 million in cash and recognized a \$9.2 million pre-tax gain (\$5.7 million, net of tax) on the transaction.

Interest Expense Interest expense for fiscal 1996 was \$8.7 million compared to \$3.8 million for fiscal 1995. The increase in interest expense is due to the Company's convertible subordinated debentures issued in October 1995.

Income Taxes The Company's effective tax rate for fiscal 1996 was 38.5% compared to 39.5% for fiscal 1995. The Company's fiscal 1996 effective tax rate was lower than in fiscal 1995 due primarily to changes in state tax allocations and apportionment factors as well as the implementation of tax-saving strategies. Management expects the effective tax rate may increase as the Company expands activities in higher tax jurisdictions.

(Results of Operations -- Fiscal 1995 Compared to Fiscal 1994)

Revenues Net revenues increased 63% to \$465.2 million for fiscal 1995, compared to \$284.9 million for fiscal 1994. Retail sales increased 62% to \$402.7 million from \$248.5 million. The increase in retail sales was due primarily to the addition of new Company-operated stores. In addition, comparable store sales increased 9% for the 52 weeks ended October 1, 1995 compared to the same 52-week period in fiscal 1994. Comparable store sales increases resulted from an increase in the number of transactions combined with an increase in the average dollar value per transaction. The increase in average dollar value per transaction included an increase in coffee beverage and whole bean prices which took place in July 1994.

During fiscal 1995, the Company opened 230 Starbucks stores (including two replacement stores), and converted four Coffee Connection stores to Starbucks stores. Licensees opened 23 new stores. The Company opened stores in several new markets including Baltimore, Maryland; Las Vegas, Nevada; Cincinnati, Ohio; Philadelphia and Pittsburgh, Pennsylvania; and Austin, Dallas, Houston, and San Antonio, Texas. The Company ended the fiscal year with 627 Company-operated stores and 49 licensed stores. Of the Company-operated stores, 19 were operated in the Northeast as Coffee Connection stores.

Specialty Sales revenues increased 81% to \$48.1 million for fiscal 1995 from \$26.5 million for fiscal 1994. Increased sales to several multi-unit retailers, hotels, airlines, and a chain of wholesale clubs as well as sales to a greater number of restaurants and institutions accounted for the increase in revenues. Direct Response sales increased 46% to \$14.4 million for fiscal 1995 from \$9.9 million for fiscal 1994.

Costs and Expenses Cost of sales and related occupancy costs as a percentage of net revenues decreased to 45.4% for fiscal 1995 compared to 45.7% for fiscal 1994. This decrease was primarily the result of higher prices on coffee beverages and whole bean coffees, and lower packaging costs as a percentage of net revenues, partially offset by higher green coffee costs.

Store operating expenses as a percentage of retail sales increased to 36.9% for fiscal 1995 from 36.3% for fiscal 1994. This increase was primarily a result of higher retail advertising expense. Other operating expenses decreased to 3.0% of net revenues for fiscal 1995 from 3.1% for fiscal 1994. The decrease was due primarily to lower direct response promotional costs as a percentage of revenues, partially offset by start-up costs related to the Company's joint venture with Pepsi-Cola. Depreciation and amortization as a percentage of net revenues increased to 4.8% from 4.4% for fiscal 1994. This increase was primarily the result of higher store buildout and equipment costs.

General and administrative expenses as a percentage of net revenues were 6.2% for fiscal 1995 compared to 7.0% for fiscal 1994. This decrease as a percentage of revenues was due to the Company's ability to increase revenues without proportionally increasing overhead expenses.

Operating Income Operating income for fiscal 1995 increased to \$40.1 million (8.6% of net revenues) from \$23.3 million (8.2% of net revenues) for fiscal 1994. Operating income as a percentage of net revenues improved due to higher gross margin and lower general and administrative expenses as a percentage of revenues, partially offset by an increase in store operating expenses and depreciation and amortization as a percentage of revenues.

Interest Income Interest income for fiscal 1995 was \$6.8 million compared to \$2.1 million for fiscal 1994. The increase in interest income was due to higher average investment balances resulting from the Company's public offering of common stock in November 1994.

Interest Expense Interest expense for fiscal 1995 was \$3.8 million, unchanged from fiscal 1994.

Income Taxes The Company's effective tax rate for fiscal 1995 was 39.5% compared to 42.5% for fiscal 1994. The Company's fiscal 1994 effective tax rate was higher than in fiscal 1995 due to one-time, non-deductible merger costs related to the Coffee Connection merger in June 1994.

(Liquidity and Capital Resources)

The Company ended fiscal 1996 with \$229.4 million in total cash and short-term investments. Working capital as of September 29, 1996 totaled \$238.5 million compared to \$134.3 million at October 1, 1995. Cash provided by operating activities totaled \$136.7 million and resulted primarily from net income before non-cash charges of \$79.0 million, a \$40.3 million reduction in inventories, and a \$26.9 million increase in accrued liabilities and expenses.

Cash provided from financing activities for fiscal 1996 totaled \$179.8 million and included net proceeds of \$161.0 million from the Company's October 1995 offering of convertible subordinated debentures. Cash provided from financing activities also included cash generated from the Company's employee stock purchase plan and from the exercise of employee stock options and the related income tax benefit available to the Company upon exercise of such options. As options granted under the Company's stock option plans vest, the Company will continue to receive proceeds and a tax deduction as a result of option exercises; however, neither the amounts nor the timing thereof can be predicted.

Cash used by investing activities for fiscal 1996 totaled \$211.2 million. This included capital additions to property, plant, and equipment of \$161.8 million which was used to open 307 new Company-operated retail stores, remodel certain existing stores, purchase roasting and packaging equipment for the Company's roasting and distribution facilities, enhance information systems, and expand existing office space.

The Company also invested in its joint ventures. During fiscal 1996, the Company made equity investments of \$2.4 million in its joint venture with SAZABY, Inc. and \$2.7 million in its joint venture with Pepsi-Cola Company. The Company also made investments in and advances to its joint venture with Dreyer's Grand Ice Cream, Inc. totaling \$0.9 million. The Company sold its investment in Noah's and received \$20.6 million in proceeds. The Company invested excess cash in short-term investment-grade marketable debt securities.

Future cash requirements, other than normal operating expenses, are expected to consist primarily of capital expenditures related to the addition of new Company-operated retail stores. The Company also anticipates remodeling certain existing stores and incurring additional expenditures for enhancing its production capacity and information systems. While there can be no assurance that current expectations will be realized, and plans are subject to change upon further review, management expects capital expenditures for fiscal 1997 to be approximately \$170 million.

The Company currently anticipates additional cash requirements of approximately \$20 million for its domestic joint ventures and international expansion during fiscal 1997. In addition, under the terms of the Company's corporate office lease, the Company has agreed to provide financing to the building owner to be used exclusively for facilities and leasehold development costs to accommodate the Company. During fiscal 1996, the Company provided approximately \$4.3 million under this agreement, bringing the total amount provided to date to \$4.6 million as of September 29, 1996. During fiscal 1997, the Company intends to provide additional funds of approximately \$3.8 million under this agreement. The maximum amount available under the agreement is \$17 million. Any funds advanced by the Company will be repaid with interest over a term not to exceed 20 years.

Management believes that existing cash and investments plus cash generated from operations should be sufficient to finance capital requirements for its core businesses through fiscal 1997. Any new joint ventures, other new business opportunities, or store expansion rates substantially in excess of that presently planned may require outside funding.

(Coffee Prices, Availability, and General Risk Conditions)

Some of the information in this Annual Report, including anticipated store openings, planned capital expenditures, and trends in the Company's operations, are forward-looking statements which are subject to risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, coffee and other raw materials prices and availability, successful execution of internal performance and expansion plans, impact of competition, availability of financing, legal proceedings, and other risks detailed in the Company's Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended September 29, 1996.

Green coffee commodity prices are subject to substantial price fluctuations, generally a result of reports of adverse growing conditions in certain coffee-producing countries. Due to green coffee commodity price increases, the Company effected sales price increases during fiscal 1994 and 1995 to mitigate the effects of anticipated increases in its cost of goods sold. Because the Company had established fixed purchase prices for some of its supply of green coffees, the Company's margins were favorably impacted by such sales price increases during much of fiscal 1995. During the latter part of fiscal 1995 and throughout fiscal 1996, gross margins were negatively impacted relative to the prior year by the sell-through of higher-cost coffee inventories. The Company expects to have sold most of these higher-cost coffees by the end of the first quarter of fiscal 1997.

The Company enters into fixed price purchase commitments in order to secure an adequate supply of quality green coffee and fix costs for future periods. As of September 29, 1996 the Company had approximately \$47 million in fixed price purchase commitments which, together with existing inventory, is expected to provide an adequate supply of green coffee well into fiscal 1997. The Company believes, based on relationships established with its suppliers in the past, that the risk of non-delivery on such purchase commitments is remote.

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

Due to the factors noted above, the Company's future earnings and the prices of the Company's securities may be subject to volatility. There can be no assurance that the Company will continue to generate increases in net revenues and net earnings, or growth in comparable store sales. Any variance in the factors noted above, or other areas, from what is expected by investors could have an immediate and adverse effect on the trading prices of the Company's securities.

(Seasonality and Quarterly Results)

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

(New Accounting Standard)

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation". This pronouncement establishes the accounting and reporting requirements using a fair value-based method of accounting for stock-based employee compensation plans. Under the new standard, the Company may either adopt the new fair value-based measurement method or continue using the intrinsic value-based method for employee stock-based compensation and provide pro forma disclosures of net income and earnings per share as if the measurement provisions of SFAS No. 123 had been adopted. The Company plans to adopt only the disclosure requirements of SFAS No. 123; therefore the adoption will have no effect on the Company's consolidated net

earnings or cash flows.

Exhibit 13.4**CONSOLIDATED BALANCE SHEETS**

(IN THOUSANDS, EXCEPT SHARE DATA)

	Sept 29, 1996	Oct 1, 1995
	-----	-----
Assets		
Current Assets:		
Cash and cash equivalents	\$126,215	\$ 20,944
Short-term investments	103,221	41,507
Accounts and notes receivable	17,621	9,852
Inventories	83,370	123,657
Prepaid expenses and other current assets	6,534	4,768
Deferred income taxes, net	2,580	4,622
	-----	-----
Total current assets	339,541	205,350
Joint ventures and equity investments	4,401	11,628
Property, plant, and equipment, net	369,477	244,728
Deposits and other assets	13,194	6,472
	-----	-----
Total	\$726,613	\$468,178
	=====	=====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 38,034	\$ 28,668
Checks drawn in excess of bank balances	16,241	13,138
Accrued compensation and related costs	15,001	12,786
Accrued interest payable	3,004	650
Other accrued expenses	28,811	15,804
	-----	-----
Total current liabilities	101,091	71,046
Deferred income taxes, net	7,114	3,490
Capital lease obligations	1,728	1,013
Convertible subordinated debentures	165,020	80,398
Commitments and contingencies (notes 4, 5, 8, and 12)		
Shareholders' Equity:		
Common stock -- Authorized, 150,000,000 shares;		
issued and outstanding, 77,583,868 and 70,956,990 shares	361,309	265,679
Retained earnings, including cumulative translation adjustment of \$(776)		
and \$(435) respectively, and net unrealized holding gain on investments		
of \$2,046 and \$34, respectively	90,351	46,552
	-----	-----
Total shareholders' equity	451,660	312,231
	-----	-----
Total	\$726,613	\$468,178
	=====	=====

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

Fiscal year ended:	Sept 29, 1996	Oct 1, 1995	Oct 2, 1994
Net revenues	\$ 696,481	\$ 465,213	\$ 284,923
Cost of sales and related occupancy costs	335,800	211,279	130,324
Store operating expenses	210,693	148,757	90,087
Other operating expenses	19,787	13,932	8,698
Depreciation and amortization	35,950	22,486	12,535
General and administrative expenses	37,258	28,643	19,981
Operating income	56,993	40,116	23,298
Interest income	11,029	6,792	2,130
Interest expense	(8,739)	(3,765)	(3,807)
Gain on sale of investment in Noah's	9,218	--	--
Provision for merger costs	--	--	(3,867)
Earnings before income taxes	68,501	43,143	17,754
Income taxes	26,373	17,041	7,548
Net earnings	42,128	26,102	10,206
Preferred stock dividends	--	--	270
Net earnings available to common shareholders	\$ 42,128	\$ 26,102	\$ 9,936
Net earnings per common and common equivalent share - primary	\$ 0.55	\$ 0.37	\$ 0.17
Net earnings per common and common equivalent share - fully-diluted	\$ 0.54	\$ 0.36	\$ 0.17
Weighted average shares outstanding:			
Primary	76,964	71,309	59,718
Fully-diluted	80,831	71,909	59,757
	=====	=====	=====

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

Fiscal year ended:	Sept 29, 1996	Oct 1, 1995	Oct 2, 1994
Operating Activities:			
Net earnings	\$ 42,128	\$ 26,102	\$ 10,206
Adjustments to reconcile net earnings to net cash provided (used)			
by operating activities:			
Depreciation and amortization	39,370	24,827	14,266
Provision for store remodels and asset disposals	412	2,745	1,333
Deferred income taxes, net	4,407	84	214
Equity in losses of investees	1,935	1,156	--
Gain on sale of investment in Noah's	(9,218)	--	--
Cash (used) provided by changes in operating assets and liabilities:			
Accounts and notes receivable	(7,771)	(4,456)	(2,297)
Inventories	40,274	(67,579)	(30,079)
Prepaid expenses and other current assets	(1,769)	519	(1,813)
Accounts payable	9,291	19,590	2,389
Accrued compensation and related costs	2,208	3,717	2,944
Accrued interest payable	3,207	24	7
Other accrued expenses	12,205	5,822	3,403
Net cash provided by operating activities	136,679	12,551	573
Investing Activities:			
Purchase of short-term investments	(178,643)	(136,256)	(106,118)
Sale of short-term investments	17,144	27,702	73,701
Maturity of short-term investments	103,056	74,808	100,103
Investments in joint ventures and equity securities	(6,040)	(12,484)	(300)
Proceeds from sale of equity investments	20,550	--	--
Additions to property, plant, and equipment	(161,814)	(129,386)	(85,288)
Additions to deposits and other assets	(5,432)	(1,154)	(1,804)
Net cash used by investing activities	(211,179)	(176,770)	(19,706)
Financing Activities:			
Increase in cash provided by checks drawn in excess of bank balances	3,096	1,180	5,736
Proceeds from sale of convertible debentures	165,020	--	--
Debt issuance costs	(4,045)	--	--
Proceeds from notes payable	--	19,000	--
Principal repayments of notes payable	--	(19,000)	(1,600)
Net proceeds from sale of common stock	--	163,873	--
Proceeds from sale of common stock under employee stock purchase plan	1,735	263	--
Exercise of stock options and warrants	8,032	3,157	2,571
Tax benefit from exercise of nonqualified stock options	6,808	4,754	3,719
Payments received on subscription notes receivable	--	3,671	--
Payments on capital lease obligations	(575)	(147)	--
Debt conversion costs	(290)	--	--
Net cash provided by financing activities	179,781	176,751	10,426
Effect of exchange rate changes on cash and cash equivalents	(10)	18	(5)
Increase (decrease) in cash and cash equivalents	105,271	12,550	(8,712)
Cash and Cash Equivalents:			
Beginning of year	20,944	8,394	17,106
End of year	\$ 126,215	\$ 20,944	\$ 8,394
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	\$ 5,630	\$ 3,738	\$ 3,612
Income taxes	12,127	10,761	4,565
Noncash Financing and Investing Transactions:			
Capital lease obligation incurred	\$ 2,089	\$ 1,522	\$ --
Net unrealized holding gains (losses) on investments	2,012	141	(116)
Conversion of convertible debt into common stock,			
net of unamortized issue costs	79,345	100	--
Conversion of preferred stock into common stock	--	--	5,214
Preferred dividends accrued	--	--	270
Retirement of treasury stock	--	--	396

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE DATA)

	Common stock		Retained earnings	Treasury stock		Total
	Shares	Amount		Shares	Amount	
Balance, October 4, 1993	55,887,734	\$ 78,753	\$ 10,329	161,328	\$ (396)	\$ 88,686
Exercise of stock options and warrants, including tax benefit of \$3,719	1,608,548	6,290	--	--	--	6,290
Preferred dividends accrued	--	--	(270)	--	--	(270)
Conversion of redeemable preferred stock into common stock	602,034	5,214	--	--	--	5,214
Retirement of treasury stock	(161,328)	(396)	--	(161,328)	396	--
Net earnings	--	--	10,206	--	--	10,206
Unrealized holding losses, net	--	--	(116)	--	--	(116)
Translation adjustment	--	--	(112)	--	--	(112)
Balance, October 2, 1994	57,936,988	89,861	20,037	--	--	109,898
Exercise of stock options including tax benefit of \$4,754	945,780	7,911	--	--	--	7,911
Sale of common stock	12,050,000	163,873	--	--	--	163,873
Payments received on stock subscription notes	--	3,671	--	--	--	3,671
Conversions of convertible debt into common stock	6,798	100	--	--	--	100
Sale of common stock under employee stock purchase plan	17,424	263	--	--	--	263
Net earnings	--	--	26,102	--	--	26,102
Unrealized holding gains, net	--	--	141	--	--	141
Translation adjustment	--	--	272	--	--	272
Balance, October 1, 1995	70,956,990	265,679	46,552	--	--	312,231
Exercise of stock options including tax benefit of \$6,808	1,177,736	14,840	--	--	--	14,840
Conversions of convertible debt into common stock	5,359,769	79,055	--	--	--	79,055
Sale of common stock under employee stock purchase plan	89,373	1,735	--	--	--	1,735
Net earnings	--	--	42,128	--	--	42,128
Unrealized holding gains, net	--	--	2,012	--	--	2,012
Translation adjustment	--	--	(341)	--	--	(341)
Balance, September 29, 1996	77,583,868	\$ 361,309	\$ 90,351	--	\$ --	\$ 451,660

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(YEARS ENDED SEPTEMBER 29, 1996, OCTOBER 1, 1995, AND OCTOBER 2, 1994)

Note 1: Summary of Significant Accounting Policies

Description of Business Starbucks Corporation and its subsidiaries ("Starbucks" or the "Company") purchases and roasts high-quality whole bean coffees and sells them, along with a variety of coffee beverages, pastries, confections, and coffee-related accessories and equipment, primarily through Company-operated and licensed retail stores located throughout the United States and in parts of Canada. In addition to its retail operations, the Company sells primarily whole bean coffees through a specialty sales group and a direct response operation.

Basis of Presentation The consolidated financial statements include the accounts of Starbucks Corporation and its wholly owned subsidiaries. Investments in unconsolidated joint ventures are accounted for under the equity method. Material intercompany transactions during the periods covered by these consolidated financial statements have been eliminated.

Fiscal Year End The Company's fiscal year ends on the Sunday closest to September 30. Fiscal years 1996, 1995 and 1994 each had 52 weeks.

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

The Coffee Connection Merger On June 2, 1994, the Company acquired all of the outstanding capital stock of The Coffee Connection, Inc., a roaster/retailer of specialty coffee on the East Coast, in exchange for newly-issued shares of the Company's common stock. The merger was accounted for as a pooling of interests for accounting and financial reporting purposes. All fees and expenses related to the merger and the consolidation of the combined companies were expensed as required under the pooling-of-interests accounting method. Such fees and expenses were approximately \$3.9 million (\$2.9 million after tax).

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

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

Investments The Company's investments consist primarily of investment-grade marketable debt securities, all of which are classified as available-for-sale and recorded at fair value as defined below. Unrealized holding gains and losses are recorded, net of any tax effect, as a component of shareholders' equity.

Fair Value of Financial Instruments The carrying value of cash and cash equivalents approximates fair value because of the short-term maturity of those instruments. The fair value of the Company's short-term investments in marketable debt and equity securities is based upon the quoted market price on the last business day of the fiscal year plus accrued interest, if any. The fair value and amortized cost of the Company's short-term investments at September 29, 1996, were \$103.2 million and \$99.9 million, respectively. The fair value and amortized cost of the Company's short-term investments at October 1, 1995, were both \$41.5 million. For further detail on short-term investments, see Note 3. The fair value of the Company's 4 1/4% Convertible Subordinated Debentures due 2002 (see Note 7) is based on the quoted NASDAQ market price on the last business day of the fiscal year. As of September 29, 1996, the fair value and principal amount of the 4 1/4% Convertible Subordinated Debentures due 2002 were \$248.0 million and \$165.0 million, respectively.

Inventories Inventories are stated at the lower of cost (primarily first-in, first-out) or market.

Property, Plant, and Equipment Property, plant, and equipment are carried at cost less accumulated depreciation and amortization. Depreciation of property, plant, and equipment, which includes amortization of assets under capital leases, is provided on the straight-line method over estimated useful lives, generally ranging from three to seven years for equipment and 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally ten years. The portion of depreciation expense related to production and distribution facilities is included in "Cost of sales and related occupancy costs". When facts and circumstances indicate that the cost of long-lived assets may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the asset to projected future cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Company recognizes an impairment loss by a charge against current operations.

Hedging and Futures Contracts The Company may, from time to time, enter into futures contracts to hedge price-to-be-established coffee purchase commitments with the objective of minimizing cost risk due to market fluctuations. Any gains or losses from hedging transactions are included as part of the inventory cost. The Company did not engage in any hedging activities or futures contracts during fiscal 1996 or 1995. Hedging activities entered into during fiscal 1994 were immaterial.

Advertising The Company expenses costs of advertising the first time the advertising campaign takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefit. Direct response advertising consists primarily of mail order catalog costs and customer retention program costs. Catalog costs are amortized over the period from the catalog mailing until the issuance of the next catalog, typically three months. Customer retention program costs are amortized over six months.

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

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

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

Earnings per Share The computation of primary earnings per share is based on the weighted average number of shares outstanding during the period plus dilutive common stock equivalents consisting primarily of certain shares subject to stock options. The number of shares resulting from this computation for fiscal 1996, 1995, and 1994 were 76,964,000, 71,309,000, and 59,718,000, respectively.

The computation of fully-diluted earnings per share assumes conversion of the Company's convertible subordinated debentures using the "if converted" method, when such securities are dilutive, with net income adjusted for the after-tax interest expense and amortization applicable to these debentures. The number of shares resulting from this computation for fiscal 1996, 1995, and 1994 were 80,831,000, 71,909,000, and 59,757,000, respectively.

Reclassifications Certain reclassifications of prior years' balances have been made to conform to the fiscal 1996 presentation.

Note 2: Cash and Cash Equivalents

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

	Sept 29, 1996	Oct 1, 1995
Operating funds and interest-bearing deposits	\$ 11,069	\$ 10,960
Commercial paper	93,306	--
Money market funds	14,590	9,984
Local government obligations	7,060	--
U.S. government obligations	190	--
	\$126,215	\$ 20,944

Note 3: Short-term Investments

The Company's short-term investments, including aggregate fair values, cost, gross unrealized holding gains, and gross unrealized holding losses, consist of the following (in thousands):

	Fair value	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses
September 29, 1996				
Corporate debt securities	\$ 33,112	\$33,118	\$ 11	\$(17)
U.S. Government obligations	45,041	45,017	36	(12)
Commercial paper	19,958	19,959	--	(1)
Marketable equity securities	5,110	1,800	3,310	--
	\$103,221	\$99,894	\$3,357	\$(30)
October 1, 1995				
Corporate debt securities	\$19,703	\$19,655	\$ 58	\$ (10)
U.S. Government obligations	14,832	14,824	8	--
Commercial paper	6,972	6,972	--	--
	\$41,507	\$41,451	\$ 66	\$ (10)

All short-term investments are classified as available-for-sale as of September 29, 1996. Marketable debt securities have remaining maturities of one year or less. The specific identification method is used to determine a cost basis for computing realized gains and losses.

On March 31, 1995, the Company invested \$11.3 million in cash for shares of Noah's New York Bagel, Inc. ("Noah's") Series B Preferred Stock. On February 1, 1996, Noah's was merged with Einstein Brothers Bagels, Inc. ("Einstein"), a retailer operating primarily in the Eastern United States. In exchange for its investment in Noah's, the Company received \$20.6 million in cash and recognized a \$9.2 million pre-tax gain (\$5.7 million net of tax) on the transaction. Concurrently, the Company purchased \$1.8 million of Einstein/Noah Bagel Corporation common stock.

In fiscal 1996, 1995, and 1994, proceeds from the sale of investment securities were \$17.1 million, \$27.7 million, and \$73.7 million, respectively. During fiscal 1996, 1995, and 1994, gross realized gains totaled \$13,000, \$30,000, and \$167,000, respectively, and gross realized losses totaled \$11,000, \$62,000, and \$437,000, respectively.

Note 4: Inventories

Inventories consist of the following (in thousands):

	Sept 29, 1996	Oct 1, 1995
Coffee		
Unroasted	\$37,127	\$ 75,975
Roasted	9,753	11,612
Other merchandise held for sale	29,518	32,731
Packaging and other supplies	6,972	3,339
	\$83,370	\$123,657

As of September 29, 1996, the Company had fixed price inventory purchase commitments for green coffee totaling approximately \$47 million. The Company believes, based on relationships established with its suppliers in the past, that the risk of non-delivery on such purchase commitments is remote.

Note 5: Joint Ventures and Equity Investments

Joint Ventures Starbucks accounts for its joint ventures using the equity method. The Company's share of joint venture income or losses is included in "Other operating expenses."

On August 10, 1994, the Company entered into a 50/50 joint venture and partnership agreement (the "Partnership Agreement") with Pepsi-Cola Company, a division of PepsiCo, Inc., to develop ready-to-drink coffee-based beverages. During fiscal 1996, the Company modified the Partnership Agreement to revise the allocation of start-up risks and expenses between partners. The Company's investment in the joint venture was \$2.6 million and \$0.3 million as of September 29, 1996, and October 1, 1995, respectively. During fiscal 1996 and 1995, the Company's share of the joint venture's losses totaled \$0.4 million and \$1.2 million, respectively. The Company made capital contributions totaling \$2.7 million and \$1.2 million to the joint venture in fiscal 1996 and fiscal 1995, respectively.

On October 25, 1995, the Company signed an agreement with SAZABY Inc., a Japanese retailer and restaurateur, to form a joint venture partnership to develop Starbucks retail stores in Japan. The first two stores opened in Tokyo during the fourth quarter of fiscal 1996. The Company's investment in the joint venture was \$1.7 million as of September 29, 1996. During fiscal 1996, the Company's share of the joint venture's losses totaled \$0.8 million. The Company made capital contributions totaling \$2.4 million to the joint venture in fiscal 1996. The Company has guaranteed loans made to the joint venture totaling 190.0 million yen (\$1.8 million) as of September 29, 1996.

On October 31, 1995, the Company entered into a joint venture agreement with Dreyer's Grand Ice Cream, Inc. to develop and distribute premium coffee ice creams. The Company's investment in the joint venture was \$0.1 million as of September 29, 1996. During fiscal 1996, the Company's share of the joint venture's losses totaled \$0.7 million. The Company made capital contributions and advances totaling \$0.9 million to the joint venture in fiscal 1996.

Equity Investments As of October 1, 1995, the Company owned a \$11.3 million investment in shares of Noah's Series B Preferred Stock which was accounted for under the equity method. As discussed in Note 3, Noah's was merged with Einstein at which time the investment was sold.

Note 6: Property, Plant, and Equipment

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

	Sept 29, 1996	Oct 1, 1995
- - - - -		
Land	\$ 3,602	\$ 3,602
Building	8,338	8,338
Leasehold improvements	255,567	162,948
Roasting and store equipment	120,575	82,490
Furniture, fixtures, and other	38,794	24,602
- - - - -		
	426,876	281,980
Less accumulated depreciation and amortization	(88,003)	(52,215)
- - - - -		
	338,873	229,765
Work in progress	30,604	14,963
	\$369,477	\$244,728
=====		

Note 7: Convertible Subordinated Debentures

On August 3, 1993, the Company issued \$80.5 million in principal amount of 4-1/2% Convertible Subordinated Debentures Due 2003. During fiscal 1995, \$0.1 million in principal amount of the debentures was converted into common stock. On April 12, 1996, the Company called these debentures for redemption. The total principal amount converted, net of unamortized issue costs, accrued but unpaid interest, and costs of conversion, was credited to common stock.

During the first quarter of fiscal 1996, the Company issued approximately \$165.0 million in principal amount of 4 1/4% Convertible Subordinated Debentures Due 2002 (the "Debentures"). Net proceeds to the Company were approximately \$161.0 million. Interest is payable semiannually on May 1 and November 1 of each year. The Debentures are convertible into common stock of the Company at a price of \$23.25, subject to adjustment under certain conditions. The Debentures are redeemable after November 10, 1997 at the option of the Company, at specified redemption prices and subject to certain conditions. The Debentures are subordinate to all future senior indebtedness. Costs incurred in connection with the issuance of the Debentures are included in "Deposits and other assets" and are being amortized on a straight line basis over the seven-year period to maturity.

Note 8: Leases

The Company leases retail stores, roasting and distribution facilities, and office space under operating leases expiring through 2015. Most lease agreements contain renewal options and rent escalation clauses. Certain leases provide for contingent rentals based upon gross sales. The Company also leases certain computer equipment and software under agreements classified as capital leases with original lease terms ranging from two to four years.

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

Fiscal year ended:	Sept 29, 1996	Oct 1, 1995	Oct 2, 1994
- - - - -			
Minimum rentals	\$37,527	\$21,590	\$11,928
Contingent rentals	1,190	1,088	1,191
- - - - -			
	\$38,717	\$22,678	\$13,119
=====			

Minimum future rental payments under non-cancelable lease obligations as of September 29, 1996, are as follows (in thousands):

Fiscal year ended:	Capital Leases	Operating Leases
1997	\$ 1,490	\$ 38,819
1998	1,173	39,013
1999	561	39,095
2000	368	38,976
2001	--	39,129
Thereafter	--	169,708
Total minimum lease payments	\$ 3,592	\$364,740
Less: Amounts representing interest and other expenses	(652)	
Present value of net minimum lease payments	2,940	
Less: Current portion	(1,212)	
Long-term capital lease obligations	\$ 1,728	

Assets recorded under capital leases are included in "Property, plant, and equipment" within the "Furniture, fixtures, and other" category. Assets recorded under capital leases, net of accumulated amortization, totaled \$3.6 million and \$1.5 million at September 29, 1996, and October 1, 1995, respectively.

The Company opened a roasting and distribution facility in Pennsylvania in September 1995 (the "East Coast Plant"). Under the terms of this lease agreement, the Company has an option to purchase the land and building comprising the East Coast Plant for approximately \$14 million within five years of the date of occupancy. Such option to purchase also provides that the Company may purchase, within seven years of occupancy, additional land adjacent to the East Coast Plant.

Note 9: Shareholders' Equity

In November 1994, the Company completed a public offering of 12,050,000 shares of newly-issued common stock for proceeds of approximately \$163.9 million, net of expenses.

On February 28, 1996, the Company's shareholders approved an amendment to the Company's articles of incorporation increasing the number of authorized common shares from 100,000,000 to 150,000,000.

The Company has authorized 7,500,000 shares of its preferred stock, none of which is outstanding at September 29, 1996.

Note 10: Stock Options

The Company maintains several stock option plans which provide for granting incentive stock options and nonqualified stock options to employees and nonemployee directors. Stock options have been granted at prices at or above the fair market value as of the date of grant. Options vest and expire according to terms established at the grant date.

The following summarizes all stock option transactions from October 4, 1993, through September 29, 1996.

	Shares	Range of prices per share		
-----	-----	-----	-----	-----
Outstanding, October 4, 1993	6,308,646	\$ 0.75	--	12.56
Granted	1,546,426	3.45	--	16.72
Exercised	(1,547,528)	0.75	--	8.50
Cancelled	(189,578)	0.75	--	13.25
-----	-----	-----	-----	-----
Outstanding, October 2, 1994	6,117,966	0.75	--	16.72
Granted	2,853,476	11.47	--	20.06
Exercised	(945,780)	0.75	--	15.00
Cancelled	(1,151,006)	1.50	--	13.25
-----	-----	-----	-----	-----
Outstanding, October 1, 1995	6,874,656	0.75	--	20.06
Granted	2,394,617	12.81	--	26.94
Exercised	(1,177,736)	0.75	--	16.88
Cancelled	(449,158)	1.50	--	20.06
-----	-----	-----	-----	-----
Outstanding, September 29, 1996	7,642,379	\$ 0.75	--	26.94
=====	=====	=====	=====	=====
Exercisable, September 29, 1996	3,316,967	\$ 0.75	--	20.06
=====	=====	=====	=====	=====

There were 5,875,009 shares of common stock reserved for future stock option grants at September 29, 1996.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation". This pronouncement establishes the accounting and reporting requirements using a fair value-based method of accounting for stock-based employee compensation plans. Under the new standard, the Company may either adopt the new fair value-based measurement method or continue using the intrinsic value-based method for employee stock-based compensation and provide pro forma disclosures of net income and earnings per share as if the measurement provisions of SFAS No. 123 had been adopted. The Company plans to adopt only the disclosure requirements of SFAS No. 123; therefore the adoption will have no effect on the Company's consolidated net earnings or cash flows.

Note 11: Income Taxes

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

Fiscal year ended:	Sept 29, 1996	Oct 1, 1995	Oct 2, 1994
Statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.1	3.6	3.3
Non-deductible merger costs	--	--	3.3
Other	0.4	0.9	0.9
Effective tax rate	38.5%	39.5%	42.5%

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

Fiscal year ended:	Sept 29, 1996	Oct 1, 1995	Oct 2, 1994
Currently payable:			
Federal	\$19,568	\$14,672	\$6,424
State	2,398	2,285	910
DEFERRED LIABILITY	4,407	84	214
	\$26,373	\$17,041	\$7,548

Deferred income taxes (benefits) reflect the tax effect of temporary differences between the amounts of assets and liabilities for financial reporting purposes and amounts as measured for tax purposes. The tax effect of temporary differences and carryforwards that cause significant portions of deferred tax assets and liabilities are as follows (in thousands):

	Sept 29, 1996	Oct 1, 1995
Depreciation	\$10,699	\$ 5,779
Accrued rent	(2,839)	(1,687)
Accrued compensation and related costs	(1,219)	(927)
Inventory valuation	(832)	(1,254)
Capitalized inventory costs	(699)	(707)
Coffee Connection NOL carryforwards	(629)	(645)
Reserve for store remodels	(184)	(953)
Unrealized holding gain on investments, net	1,281	22
Other, net	(1,044)	(760)
	\$ 4,534	\$(1,132)

Taxes payable of \$2.7 million are included in "Other accrued expenses" as of September 29, 1996, and taxes refundable of \$0.5 million are included in "Prepaid expenses and other current assets" as of October 1, 1995. The Company has net operating loss carryforwards of approximately \$1.6 million expiring in 2007 and 2008.

Note 12: Commitments and Contingencies

Under the amended terms of the Company's corporate office lease, the Company has agreed to provide financing to the building owner to be used exclusively for facilities and leasehold development costs to accommodate the Company. Under this agreement, the Company provided approximately \$4.3 million and \$0.3 million during fiscal 1996 and fiscal 1995, respectively. As of September 29, 1996, and October 1, 1995, the amounts outstanding under the agreement totaled \$4.6 million and \$0.3 million, respectively. These amounts are included in "Deposits and other assets" on the balance sheet. The maximum amount available under the agreement is \$17.0 million. Any funds advanced by the Company will be repaid with interest at 9.5% over a term not to exceed 20 years.

In the normal course of business, the Company has various legal claims and other contingent matters outstanding. Management believes that any ultimate liability arising from these actions would not have a material adverse effect on the Company's results of operations or financial condition at September 29, 1996.

Note 13: Employee Benefit Plans

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

The Company's matching contributions to the plans were approximately \$0.3 million, \$0.3 million, and \$0.1 million for fiscal 1996, 1995, and 1994, respectively.

Employee Stock Purchase Plan During fiscal 1995, the Company implemented an employee stock purchase plan. The Company's plan provides that eligible employees may contribute up to 10% of their base earnings toward the quarterly purchase of the Company's common stock. The employee's purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of the quarterly offering period. No compensation expense is recorded in connection with the plan. The total number of shares issuable under the plan is 4,000,000. There were 89,373 shares issued under the plan during fiscal 1996 at prices ranging from \$15.99 to \$24.65. There were 17,424 shares issued under the plan during fiscal 1995 at a price of \$15.09. Of the 7,944 employees eligible to participate, 1,601 were participants in the plan as of September 29, 1996.

Note 14: Related Party Transactions

An employee director of the Company serves as chairman of a wholesale customer of the Company. Sales to this customer were \$22.7 million, \$18.5 million, and \$10.5 million for fiscal 1996, 1995, and 1994, respectively. Amounts receivable from this customer totaled \$2.7 million and \$1.9 million as of September 29, 1996, and October 1, 1995, respectively.

A director of the Company serves as a co-chairman and chief executive of a company which provides insurance brokerage and employee benefit consulting services to the Company. Amounts paid for those services (primarily premiums) totaled \$3.8 million, \$3.5 million, and \$1.1 million for fiscal 1996, 1995, and 1994, respectively.

Note 15: Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for fiscal years 1996 and 1995 is as follows (in thousands, except earnings per share):

	First	Second	Third	Fourth

1996 QUARTER:				
Net revenues	\$169,537	\$153,609	\$176,950	\$196,385
Gross margin	83,019	76,671	93,786	107,205
Net earnings	9,566	10,391	9,446	12,725
Net earnings per common & common equivalent share - fully-diluted	\$ 0.13	\$ 0.14	\$ 0.12	\$ 0.16
1995 quarter:				
Net revenues	\$115,545	\$101,113	\$119,174	\$129,381
Gross margin	63,562	55,474	65,451	69,447
Net earnings	8,620	5,130	6,845	5,507
Net earnings per common & common equivalent share - fully-diluted	\$ 0.13	\$ 0.07	\$ 0.09	\$ 0.07

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

We consent to the incorporation by reference in Registration Statements No. 33-52526, 33-52528, 33-92208 and 33-92184 of Starbucks Corporation on Form S-8 and Registration Statement No. 33-95690 of Starbucks Corporation on Form S-3 of our reports dated November 22, 1996, appearing in and incorporated by reference in the Annual Report on Form 10-K/A of Starbucks Corporation for the year ended September 29, 1996.

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedule of Starbucks Corporation, listed in Item 14(a)2. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

*DELOITTE & TOUCHE LLP
Seattle, Washington*

January 31, 1997

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STARBUCKS CORPORATION FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 29, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	SEP 29 1996
PERIOD START	OCT 02 1996
PERIOD END	SEP 29 1996
CASH	126,215
SECURITIES	103,221
RECEIVABLES	17,621
ALLOWANCES	116
INVENTORY	83,370
CURRENT ASSETS	339,541
PP&E	457,480
DEPRECIATION	88,003
TOTAL ASSETS	726,613
CURRENT LIABILITIES	101,091
BONDS	165,020
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	361,309
OTHER SE	90,351
TOTAL LIABILITY AND EQUITY	726,613
SALES	696,481
TOTAL REVENUES	696,481
CGS	335,800
TOTAL COSTS	335,800
OTHER EXPENSES	303,688
LOSS PROVISION	0
INTEREST EXPENSE	8,739
INCOME PRETAX	68,501
INCOME TAX	26,373
INCOME CONTINUING	42,128
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	42,128
EPS PRIMARY	0.55
EPS DILUTED	0.54

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.