AMAZON COM INC
Form 11-K
April 25, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2002

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 000-22513

A. Full title of the plan and address of the plan:

Amazon.com, Inc. 2001 Stakeholder Trust Plan
1200 12th Avenue South, Suite 1200
Seattle, Washington 98144-2734
Attn: Investments and Administrative Committee

B. Name of issuer of the securities held pursuant to the plan and address of its principal executive office:

Amazon.com, Inc.
1200 12th Avenue South, Suite 1200
Seattle, Washington 98144-2734

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AMAZON.COM, INC. 2001 STAKEHOLDER TRUST PLAN

FORM 11-K

For the Year Ended December 31, 2002 and for the Period January 30, 2001 (date of inception) through December 31, 2001

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Investments and Administrative Committee
Amazon.com, Inc. 2001 Stakeholder Trust Plan

We have audited the accompanying statements of net assets available for benefits of Amazon.com, Inc. 2001 Stakeholder Trust Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the year ended December 31, 2002 and for the period January 30, 2001 (date of inception) through December 31, 2001. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2002 and 2001, and the changes in financial status for the year ended December 31, 2002 and for the period January 30, 2001 (date of inception) through December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Seattle, Washington
February 14, 2003

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Statements of Net Assets Available for Benefits

	December 31, 2002	December 31, 2001
ASSETS		
Cash	$ 10	$ 36
Investment in Amazon.com, Inc. common stock, at fair value (149,426 shares at $18.89 per share and 149,961 shares at $10.82 as of December 31, 2002 and 2001, respectively)	2,822,657	1,622,578
Total assets	2,822,667	1,622,614
LIABILITIES		
Accrued expenses	3,750	3,750
Net assets available for benefits	$2,818,917	$1,618,864

See accompanying notes.

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2002	For the Period January 30, 2001 (date of inception) through December 31, 2001
ADDITIONS:		
Investment income (losses):		
Unrealized appreciation (depreciation) on Amazon.com, Inc. common stock	$1,210,211	$(1,217,383)
Realized losses on sales of Amazon.com, Inc. common stock	(2,658)	(2,503)
	1,207,553	(1,219,886)
Employer contributions of Amazon.com, Inc. common stock, at fair value		2,850,000
Total additions	1,207,553	1,630,114
DEDUCTIONS:		
Administrative expenses	7,500	11,250
Net increase	1,200,053	1,618,864
Net assets available for benefits, at beginning of year / period	1,618,864	
Net assets available for benefits, at end of year/period	$2,818,917	$ 1,618,864

See accompanying notes.

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Notes to Financial Statements

December 31, 2002

Note 1 Description of the Plan and Trust

The following description of the Amazon.com, Inc. 2001 Stakeholder Trust Plan as amended (the Plan), provides only general information. Participants should refer to the Plan document, the Prospectus and Summary Plan Description (the Prospectus) and the Amazon.com, Inc. 2001 Stakeholder Trust (the Trust) for a more complete description of the Plan s provisions.

General

The Plan, which was established on January 30, 2001, is a defined contribution welfare benefit plan that provides severance benefits for certain eligible U.S. employees of Amazon.com, Inc. and subsidiaries (the Company) whose employment was involuntarily terminated without cause between January 30, 2001 and June 30, 2001 due to a reorganization of Amazon.com, Inc. announced on January 30, 2001. Eligible Plan participants are defined in the Plan document. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Company contributed 132,010 shares of its common stock with a fair value of $18.938 per share (or $2,500,000) on January 30, 2001 into the Plan. Additionally, the Company committed to fund a sub-account with 18,481 shares of its common stock in an amount equal in value to $350,000, which is intended to help fund future employer obligated federal and state taxes. In May 2001, the Trust was established as a grantor trust and Northwestern Trust and Investors Advisory Company was designated as the trustee, and the common stock previously designated under the Plan was transferred to the Trust. In 2002, Harris Trust Company acquired Northwestern Trust and Investors Advisory Company. Therefore, effective as of April 2002, the Harris Trust Company is trustee of the Plan.

The Plan is neither contributory nor voluntary. The Plan was established and the Company s shares were contributed for the benefit of all Plan participants, without any participant payments or contributions and without election to participate. The Plan assets are restricted to Amazon.com, Inc. common stock. The Company s liability under the Plan is limited to its initial contribution to the Plan and no additional contributions are required of the Company.

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Notes to Financial Statements (Continued)

Benefits

The amount of cash each participant and/or beneficiary will receive is based on a formula that assigns a certain number of units to each participant and/or beneficiary. For former hourly employees, the number of units equals the product of the participant s hourly wage rate times their regularly scheduled monthly hours for January 2001. For former salaried employees, the number of units equals the participant s monthly base salary for January 2001. At the time the trustee distributes the cash from selling the shares, each participant will receive the portion of cash as determined by multiplying the total amount of cash available for distribution by a fraction, (a) the numerator of which is the number of units assigned to the individual participant, and (b) the denominator of which is the total number of units assigned to all participants. A participant may not assign or transfer their interest in the Plan.

It is possible, under limited circumstances, that participants and/or beneficiaries will not receive a distribution if, by August 2003, the value of the Trust s investments in the Company s common stock is not sufficient to satisfy the Plan s obligations relating to fees and other expenses of the Plan.

Plan Termination

The Plan may not be terminated for any reason at any time prior to August 15, 2003, except as may be required by law. The Company may amend the Plan at any time. The Company cannot revoke the Trust or withdraw shares before all payment of benefits have been made to the Plan participants or their beneficiaries pursuant to the terms of the Plan.

Between August 2, 2003 and August 15, 2003, the trustee will liquidate all assets held by the Plan for purposes of settling benefit, tax and administrative obligations. After paying the remaining administrative costs, benefits will be allocated to each participant and/or beneficiary according to their relative share of the Plan, net of applicable tax withholdings for employee-obligated federal and state taxes. The 18,481 shares in the sub-account will be liquidated to fund employer obligated federal and state taxes or, at the Company s election to separately satisfy such obligations, returned to the Company for cancellation.

All benefits will be distributed to participants and/or beneficiaries in August or September 2003. In the event of death of the participant, benefits will be directed to the decedent s estate at the time of distribution.

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Notes to Financial Statements (Continued)

Administrative Expenses

All administrative expenses incurred are paid by the Plan. The trustee periodically liquidates Plan assets to meet such obligations. All administrative expenses incurred during the period ended December 31, 2002 related to trustee fees.

On behalf of the Plan, the Company paid fees associated with the audit of the Trust s 2001 financial statements.

Note 2 Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Investment Valuation and Income Recognition

The Plan s investments are stated at fair value. All investments are in the common stock of Amazon.com, Inc. These securities are listed on the Nasdaq National Market and are valued at the closing market price on the last business day of the plan year. Sales of common stock are recorded on the trade-date and gains or losses on sales of securities are determined by the gross proceeds from the sale, less the historical cost of the securities sold. Net appreciation or depreciation in the fair value of common stock represents the change in the market price from the beginning of the period to the end of the year multiplied by the number of shares held.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the plan administrator to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates.

Concentrations of Risk

Since the assets held by the Trust are almost entirely comprised of Amazon.com common stock, the anticipated assets available for benefits in August 2003 will be the result of the Company s future stock market performance, which are subject to various risk factors described more fully in the Company s periodic filings with the Securities and Exchange Commission.

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Amazon.com, Inc. 2001 Stakeholder Trust Plan

Notes to Financial Statements (Continued)

Note 3 Investments

The following table sets forth information with respect to the Plan s investment as of December 31, 2002 and 2001:

	2002		2001	
	Net Appreciation During the Year	Fair Value at End of Year	Net Depreciation During Period Ended December 31	Fair Value at End of Year
Amazon.com, Inc. common stock:				
Participant shares	$1,061,069	$2,473,551	$(1,067,354)	$1,422,614
Sub-account shares	149,142	349,106	(150,029)	199,964
	$1,210,211	$2,822,657	$(1,217,383)	$1,622,578

During the year ended December 31, 2002, the Plan sold 535 shares of common stock for $7,474 and recorded a loss on the sale of $2,658. During the period January 30, 2001 through December 31, 2001, the Plan sold 530 shares of common stock for $7,536 and recorded a loss on the sale of $2,503. Proceeds from the sales were used to pay trustee fees.

Note 4 Income Tax Status

The Trust funding the Plan is a grantor trust under Section 671 of the Internal Revenue Code (the Code); therefore, the income and expenses of the Trust are included in the taxable income of the Company, who is the grantor. As an employee welfare benefit plan, the Plan and Trust are required to operate in conformity with the Code and ERISA. The plan administrator believes the Plan and the Trust are operating in conformity with the Code and ERISA.

Participants did not incur income taxes when the Company set up the Plan or when the Company contributed its common stock under the Plan. Instead, the amount distributed to participants out of the net proceeds from the sale of the shares will be taxable compensation subject to payroll tax withholding requirements. Additionally, there were no tax consequences to the Company from either adopting the Plan or contributing shares of common stock under the Plan. At the time amounts are paid to participants under the Plan, the Company will be entitled to a corresponding tax deduction. In addition, the Company will be responsible for paying employer obligated federal and state taxes. The Company intends to pay these taxes with proceeds from the sale of the 18,481 shares of common stock held in the sub-accounts, which was set aside for that purpose, or from the Company s own assets, as elected at the time.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Investments and Administrative Committee of the Amazon.com, Inc. 2001 Stakeholder Trust Plan have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized, as of April 24, 2003

Amazon.com, Inc. 2001 Stakeholder Trust Plan

By: /s/ MARK S. PEEK

Mark S. Peek
Vice President and Chief Accounting Officer
and Member of the Investments and
Administrative Committee

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EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, Independent Auditors.
99.1	Certification of Jeffrey P. Bezos, Chairman and Chief Executive Officer of Amazon.com, Inc., Pursuant to 18 U.S.C. Section 1350.
99.2	Certification of Thomas J. Szkutak, Senior Vice President and Chief Financial Officer of Amazon.com, Inc., Pursuant to 18 U.S.C. Section 1350.