1·800·FLOWERS.COM, INC.

2009 Annual Report

F O C U S

SPECIAL BONUS: 2010 Desk Diary & Gift Planner

About 1-800-FLOWERS.COM, Inc.

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 30 years, 1-800-FLOWERS.COM, Inc. has been providing customers with fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, balloons and plush stuffed animals perfect for every occasion. 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com), was listed as a Top 50 Online Retailer by Internet Retailer in 2006, as well as 2008 Laureate Honoree by the Computerworld Honors Program and the recipient of ICMI's 2006 Global Call Center of the Year Award. 1-800-FLOWERS.COM® offers the best of both worlds: exquisite arrangements created by some of the nation's top floral artists and hand-delivered the same day, and spectacular flowers shipped overnight from its Fresh From Our Growers® collection. As always, 100% satisfaction and freshness are guaranteed. The Company's BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl&Co.® (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May® confections brands (www.fanniemay.com and www.harrylondon.com); wine gifts from Ambrosia® (www.ambrosia.com) and Geerlings&Wade℠ (www.geerwade.com); gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and DesignPac® gifts (www.designpac.com); as well as Celebrations® (www.celebrations.com), a new premier online destination for fabulous party ideas and planning tips. 1-800-FLOWERS.COM, Inc. is involved in a broad range of corporate social responsibility initiatives including continuous expansion and enhancement of its environmentally-friendly "green" programs, various philanthropic and charitable efforts and special private-sector skills training programs for military veterans. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

Special Note Regarding Forward-Looking Statements

A number of statements contained in this report, other than statements of historical fact, are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements. These risks and uncertainties include, but are not limited to: the Company's ability to achieve cost efficient growth; its ability to maintain and enhance its online shopping web sites to attract customers; its ability to successfully introduce new products and product categories; its ability to maintain and enhance profit margins for its various products; its ability to provide timely fulfillment of customer orders; its ability to cost effectively acquire and retain customers; its ability to continue growing revenues; its ability to compete against existing and new competitors; its ability to manage expenses associated with necessary general and administrative and technology investments; its ability to cost effectively manage inventories; its ability to improve its bottom line results; its ability to leverage its operating infrastructure; its ability to achieve its stated results guidance for fiscal 2010 and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. For a more detailed description of these and other risk factors, please refer to the Company's SEC filings including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company expressly disclaims any intent or obligation to update any of the forward looking statements made in this report or in any of its SEC filings except as may be otherwise stated by the Company.

Financial Highlights

(From Continuing Operations[1])

	Years Ended				
	JUNE 28, 2009	JUNE 29, 2008	JULY 1, 2007	JULY 2, 2006	JULY 3, 2005
	(in millions, except percentages and per share data)				
Total Net Revenues	$714.0	$739.2	$725.7	$584.8	$498.4
Gross Profit Margin	39.4%	42.2%	42.2%	40.0%	39.3%
Operating Expense Ratio[2]	37.2%	34.4%	34.4%	36.9%	34.9%
Adjusted EBITDA	$ 36.5[3]	$ 57.1	$ 57.2	$ 18.1	$ 21.7
Adjusted EPS	$ 0.11[4]	$ 0.34	$ 0.32	$ 0.03	$ 0.10

(1) During fiscal 2009, the Company made the strategic decision to divest its Home and Children's Gifts business segment. The Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented. Also, the Company's fiscal 2009 results include a number of non-recurring items which impact comparability. These items are excluded from the adjusted results presented in the table above and throughout the enclosed Financial Section.

(2) Operating expense ratio excludes depreciation and amortization and, for fiscal 2009, excludes non-recurring items (goodwill and intangible impairment of $85.4 million and severance and other restructuring costs of $2.5 million) which impact comparability.

(3) Fiscal 2009 EBITDA is adjusted for non-recurring charges which impact comparability. Refer to the Company's 10-K filing for reconciliations of net income (loss) from continuing operations to adjusted EBITDA from continuing operations.

(4) Fiscal 2009 EPS is adjusted for non-recurring charges which impact comparability. Refer to the Company's 10-K filing for reconciliations of net income (loss) from continuing operations to adjusted net income (loss) from continuing operations.

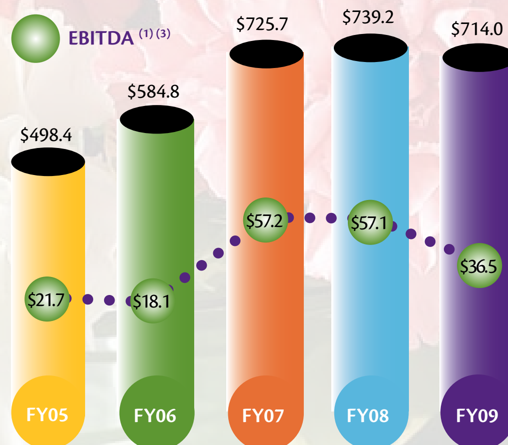
Fiscal 2009 Achievements

- Achieved adjusted EBITDA and EPS from continuing operations of $36.5 million and $0.11, respectively, despite the impact of the dramatic economic downturn on consumer demand.
- Achieved implementation of programs to drive $50 million in operating expense reductions, based on FY08 pro forma operating expenses.
- Made strategic decision to divest the Home and Children's Gifts category, enabling increased focus on key growth opportunities and significantly reducing working capital needs.
- Revised bank credit facility agreement to provide ample access to capital and increased flexibility in loan covenants.

Total Revenues

(From Continuing Operations[1])

(In Millions)



% Revenues by Category

Key Strategic Priorities

- Know and Take Care of Our Customers.
- Maintain and Enhance Financial Strength and Flexibility.
- Continue to Innovate and Invest for the Future.

Financial Report Insert

See inside rear cover pocket

To Our Shareholders

This year, our message is presented in an interview format. Founder and CEO Jim McCann and President Chris McCann discuss fiscal 2009 results and their outlook for fiscal 2010.

How did 1-800-FLOWERS.COM react to the unprecedented changes in the economy in fiscal 2009?

Jim:
Clearly 1-800-Flowers was impacted by the overall consumer environment. We were reminded that there's a discretionary nature to our business as well. So when we saw, as we reached the holiday period, that the top line and bottom line were not going to be what we wanted, we reacted by making sure we were doing the right things in terms of taking care of our customer, and secondly, we reduced our operating expenses by over $50 million. Regarding that $50 million reduction, two things: one is it's on top of the $25 million we had taken out in the previous two years and it was all achieved within the fiscal year, including the expenses related to it. The result of that was our operating expenses are a great deal lower going into fiscal 2010. And for the fiscal year ended June 09, we still had positive adjusted EPS and positive adjusted EBITDA. In fact the EBITDA was over $36 million.
[Note: $50 million cost reduction is based on pro forma fiscal 2008 operating expenses.]

How will 1-800-FLOWERS.COM improve its financial results in fiscal 2010?

Chris:
In fiscal 2010 we believe we are very well positioned to drive improved bottom line results throughout the year. The reason for this is based on the improvements we made to our operating platform during this past fiscal year. In fact, our guidance is not predicated on any improvement in the consumer economy. We feel it is prudent, on our part, to look out at the economy and assume that the consumer will continue to be under pressure. With this said, should the consumer economy improve, we will be able to drive enhanced profitability as well as top line revenue this coming year.

What are the key strategic priorities that you are focused on?

Jim:
As we saw the consumer continue to struggle and the overall economic environment unravel last year, we focused on three key priorities which have served us well in good times and in challenging times. And those three key priorities are:

1) Make sure we know our customer and take care of them as best we can;
2) Make sure we take care of our finances: manage for cash, manage our balance sheet, make sure we have the right financing and banking relationships in place. We've done that as well;
3) And third and finally, we've been here for 33 years, we're going to be here for at least another 33…let's make sure we continue to invest in innovation for the future.

What changes have you made to enhance future growth opportunities?

Jim:
Enhancing our future growth opportunities, and our current growth initiatives as well, brought us to a strategic decision-making process which led to our decision to divest ourselves of our home and children's gift business. This business has a different asset and financial profile compared with our core flower and gourmet food gift businesses. Therefore, we determined these businesses don't leverage our platform as well as do the floral and gourmet categories. As a result, we've designated them discontinued operations. It wasn't an easy decision to come to, but we decided let's segregate them so that investors could see clearly what our future investments were going to be and how they would yield the best results.

How important is customer knowledge?

Chris:
As a company, we are focused on providing the right products and the right services to our customers to help them express themselves and connect to the important people in their lives. In order to do so, we really need to know them and take care of them. We have developed very specific personas for each of our good, better and best customer segments in each of our brands. We take that data and our deep understanding of those customers and make sure that we are developing the right products for all of their needs throughout the year and making sure that our marketing programs are reaching them in their daily lives and speaking to them in a voice that engages them and really connects with them. In addition, we're learning our customers are migrating to new platforms, new technologies, new ways of communication. Social networking is a great example of that. We need to make sure that we're involved in social networking because that's where our customers are. And we continue to enhance our capabilities there. In fact this year we launched an application in Facebook that allows our customers to conduct commerce within Facebook…the first of any application to do so. In taking care of our customers we need

to make sure that we make the continued enhancements to our customer service platform and our e-commerce platforms. So we already have award-winning websites but we don't rest on our laurels there. We make sure that we're constantly moving ahead and innovating our web platforms, whether that's improved graphics, improved order selection and checkout processes, and just making it easier for our customers to shop. In addition, this year we'll continue to migrate our gourmet food and gift brands onto our new Fresh Digital e-commerce platform, significantly enhancing their e-commerce capabilities and also allowing us to more easily deploy our cross-brand marketing capabilities. This will allow us to effectively roll out our multi-brand gift cards as well as our Fresh Rewards loyalty program across all of our floral and food gift brands.

How have you enhanced your financial strength and flexibility?

Jim:
In terms of our finances, we've already talked about our operating expenses: a $50 million reduction in the fiscal year that just ended, 09, so we're in good position going forward. Now in terms of our balance sheet, we finished the year with approximately $30 million in cash and no borrowings on our revolving credit facility. Second, during the year, we paid down $20 million additional on our term debt and we've adjusted our agreements with our banks to eliminate the net worth covenant and to give us more flexibility going forward so that we have good cash, good borrowing capability and a really flexible balance sheet to take advantage of what we think will be a lot of opportunities going forward.

Chris:
And going forward, as we look at capital expenditures, last year in fiscal 2009 we spent about $19 million. This year our plans call for that to be less than $15 million. And when you combine that with our focus on reducing inventory and improving working capital, you see how we'll generate significantly improved Free Cash Flow in fiscal 2010.

What were customer metrics for fiscal 2009?

Chris:
Looking at 2009 from a customer's perspective, because of the incredible strength of our brand, 5 million e-commerce customers turned to us to express themselves and connect with the important people in their lives. In addition, we attracted over two and a half million new customers to our brands. And, over 50 percent of our transactions came from repeat customers, really demonstrating the strength that we have and our continued focus on knowing our customers and most importantly, servicing their needs every day, day in and day out.

What is your guidance for fiscal 2010?

Jim:
Clearly 2009 was a difficult year. Concerning guidance for 2010, when we were planning in the Spring we said let's expect that the consumer environment won't get a lot better. The good news is, the world seems to be stabilizing, but we can't take that into account as we make our plans. We're assuming that from a top line perspective we'll be flat to down 5 percent. We thought that this was the prudent way to plan. Now, from a bottom line perspective, in spite of that top line challenge, we're expecting a great deal of improvement on the bottom line. Our EBITDA we're forecasting to be up 20 percent. Our EPS we're forecasting to be up 30 percent. Should the consumer environment improve during this fiscal year, I think we have a great deal of evidence that we will benefit disproportionately on the bottom line from any top line growth we get as a result of our lower operating costs.

What sets 1-800-FLOWERS.COM apart as a company and an investment?

Jim:
From a business point of view, I think what sets 1-800-FLOWERS.COM apart is that as a leading e-commerce player we have extraordinary flexibility in terms of a much lower capital requirement than traditional retailers, particularly when you look at inventory. Secondly, I think we have demonstrated the leverage in our platform to reduce our operating expenses and our CAPEX scenario. And then the third is that we have a very strong balance sheet with ample reserves and capabilities to give us a great deal of flexibility as we look ahead at all the options we see developing in front of us.

Chris:
And of course we have a great e-commerce leading brand in 1-800-Flowers.com. 1-800-Flowers coupled with our BloomNet wire service puts us in a great position to catch an even greater share of the floral gifting market. Plus now, as we look at 1-800-Baskets.com, leveraging what we've assembled already in the gourmet food and gift basket category is enabling us to really go after and capture a leading share of what is a $16 billion gourmet food and gift basket category.

Jim:
So you see a good solid business, with great financial flexibility, improving operating expenses and ratios across the board. You see us in a good solid category in the flower and gift business, you see us growing into a very exciting gourmet gift food category which is large and getting larger. And you see us constantly innovating and developing new techniques of engaging our customer. I think we have positioned our company really well to stay a leading innovator in the e-commerce category. But more importantly, we're engaging our customers and we're helping them every day to express themselves and connect to the important people in their lives.

Jim McCann
Chairman and CEO

Chris McCann
President

January • 2010

Highlighting 1-800-FLOWERS.COM's marketing focus in fiscal 2009 and culminating in fiscal 2010 was the launch of 1-800-Baskets.com. This launch represents the manifestation of a strategy to bring together the Company's many assets, brands, products and services to serve customers' celebratory needs more comprehensively and become their preferred destination for all their gifting choices. In addition to attracting a wider customer base and creating new opportunities in the multi-billion dollar gourmet food gifts category, 1-800-Baskets.com is part of a dual branded website approach featuring shared tabs and a common shopping cart with the 1-800-Flowers.com® site. This enables exposure to the new 1-800-Baskets.com brand without substantial additional marketing expense to birth a new brand.

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11	12
17	18 *Martin Luther King Jr.'s Birthday (observed)*	19
24 / 31	25	26

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1 *New Year's Day*	2
6	7	8	9
13	14	15	16
20	21	22	23
27	28	29	30

February • 2010

1-800-FLOWERS.COM was among the first businesses to embrace the Internet in 1992 and the first merchant to transact on AOL. Today, the Company continues to be a pioneer in web marketing by seizing the opportunities that exist in the new communications channels of social networking including Facebook, Twitter and the blogosphere. In fiscal 2009, 1-800-FLOWERS.COM was the first e-commerce company to complete a transaction without leaving the Facebook page. The Company's highly interactive Facebook page enables customers to access fresh floral products simply by clicking on the "Shop!" tab, thereby bringing the award winning online florist and gift shop to Facebook's more than 250 million users. Customers can also share their thoughts with other Facebook fans and provide input, and even offer suggestions to help design new products.

SUNDAY	MONDAY	TUESDAY
	1	2 *Groundhog Day*
7	8	9
14 *Valentine's Day*	15 *Presidents' Day*	16
21	22	23
28		

facebook

Welcome to the 1-800-flowers.com Facebook page!

Become a Fan today for exclusive discounts!

Spotlight a Mom

May 7 at 9:14pm · Comment · Like · Share

1-800-FLOWERS.COM

Honoring the Original Foodie Mom

SPOTTED! Biggie of Lunch in a Box is a work-at-home mom of a four-year-old in San Francisco, obsessed with cooking and building a faster, better packed lunch. Her goal is tasty, attractive lunches with a minimum of morning prep. Biggie has the touch of a Foodie Mom...

May 6 at 3:04am · Comment · Like · Share

Dave Kerpen likes this.

Write a comment...

1-800-FLOWERS.COM Welcome, Sharyl! And Happy Mother's Day and congratulations to you on your granddaughter, Peggie!! Heck, Happy Mother's Day to everyone!! If you're planning to give your mom flowers this Mother's Day, "like" or comment on this status :)

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17	18	19	20
24	25	26	27

March • 2010

In fiscal 2009, BloomNet further solidified its standing as the industry benchmark for quality, dependability and value. Professional florists look to BloomNet for an array of innovations to help them grow their businesses profitably including LocateMyFlorist.com, an online portal that enables consumers to search and locate BloomNet florists with the click of a mouse. BloomNet also offers the digital convenience and speed of the industry's first Directory online. And to help create a superior customer experience and generate repeat sales for BloomNet florists, BloomNet introduced a comprehensive Quality Assurance Program during fiscal 2010 – utilizing detailed metrics to assure that orders are fulfilled to the highest possible standards.

SUNDAY	MONDAY	TUESDAY
	1	2
7	8	9
14	15	16
21	22	23
28	29 Passover Begins at Sunset	30

bloomnet

Your BloomNet Directory

Sending Orders has Never Been So Easy!

Let those Church Bells & Cash Registers Ring!

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17 *St.. Patrick's Day*	18	19	20 *First Day of Spring*
24	25	26	27
31			

April • 2010

Throughout its history, 1-800-FLOWERS.COM has focused on responding to the changing needs of its customers. Increasingly, consumers are looking for cutting-edge design and top quality combined with excellent value. During fiscal 2009, the Company responded to the demands of a challenging economic environment by introducing a value-price merchandising strategy, featuring beautiful products at attractive price points. One example is the "30 Gifts Under $30" collection, featured during Mother's Day on the 1-800-FLOWERS.COM site. Positive customer reception led to an expansion of this initiative across the Company's multiple gift brands, helping customers cost effectively express themselves and connect to the important people in their lives.

SUNDAY	MONDAY	TUESDAY
4 *Easter*	5	6
11	12	13
18	19 *Administrative Professionals' Week Begins*	20
25	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1 *April Fool's Day*	2	3
7	8	9	10
14	15	16	17
21 *Administrative Professionals' Day*	22	23	24
28	29	30	

May • 2010

1-800-FLOWERS.COM has intensified its efforts to engage customers in direct dialogue – inviting them "behind the curtain" through online forums, emails, blogs and panels where they could help enable the Company to better understand and serve their celebratory needs. A focal point of this effort in fiscal 2009 was the highly successful SPOT A MOM℠ campaign which spotted and celebrated millions of moms across the nation as part of the Mother's Day holiday. The multi-channel SPOT A MOM marketing program and movement garnered the attention of influential bloggers, Facebook fans and Twitter "tweeters" who in turn helped to spread the word. Thousands of inspiring stories about moms were submitted and they will be compiled into a new book titled "Celebrating Mom," scheduled for release prior to Mother's Day 2010.

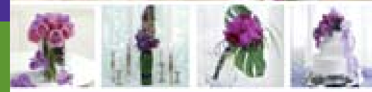
SUNDAY	MONDAY	TUESDAY
2	3	4
9 *Mother's Day*	10	11
16	17	18
23 / 30	24 / *Memorial Day (observed)* 31	25

SPOT A MOM
1-800-flowers.com
www.spotamom.com
Edit Page
Send an Update to Fans
Promote Page with an Ad
More
http://1800flowers.com
http://SpotAMom.com
Information

1-800-FLOWERS.COM Happy Mother's Day!!!!!
Wall | Info | Boxes | Spot A Mom | Fan Offers! | Notes
What's on your mind?
1-800-FLOWERS.COM + Fans | Just 1-800-FLOWERS.COM | Just Fans
1-800-FLOWERS.COM Happy Mother's Day!!!!!
Yesterday at 12:34am · Comment · Like
Dave Kerpen and 7 others like this.
Write a comment...
1-800-FLOWERS.COM
SPOTTED MOM!
Today I'm excited to spot Melissa Chapman who is a mommy blogger extraordinaire.

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5 *Cinco de Mayo*	6	7 *National Bring Your Mom to Work Day*	8
12	13	14	15
19	20	21	22
26	27	28	29

June • 2010



FOCUS:
Home Agent Network

Delivering best in class customer service remained a top priority at 1-800-FLOWERS.COM in fiscal 2009. The Company increased focus on its Home Agent Network (HAN), closing three of its brick and mortar customer service centers and inviting agents at those locations to become home-based agents. Utilizing state-of-the-art remote call routing technologies to ensure customer satisfaction and help drive repeat business, the HAN program provides significant scheduling flexibility for 1-800-FLOWERS.COM while saving substantial capital expense that would otherwise be tied up in physical locations. Based on these benefits, together with the top quality scores achieved by home agents, the Company plans to continue expanding its HAN program in 2010.

SUNDAY	MONDAY	TUESDAY
		1
6	7	8
13	14 *Flag Day*	15
20 *Father's Day*	21 *First Day of Summer*	22
27	28	29

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11	12
16	17	18	19
23	24	25	26
30			

July • 2010

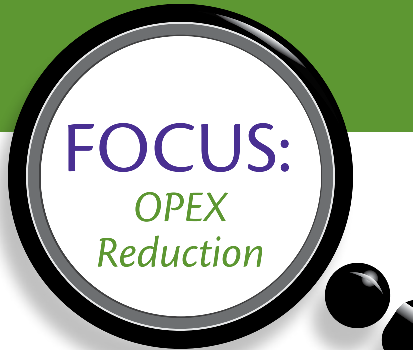
FOCUS: Cross Brand Marketing

With its expanded offering of great gift brands, 1-800-FLOWERS.COM is increasingly focused on widening its cross-brand marketing and merchandising efforts to leverage its customer traffic, database and advertising reach. A key initiative in this area during fiscal 2009 was the development and launch in early fiscal 2010 of the new 1-800-Baskets.com® brand and website. The launch leverages the tremendous brand equity and online traffic of 1-800-Flowers.com® by creating a new, dual brand website that shares a single shopping cart, Fresh Rewards® Loyalty program, address book and much more. Similarly, the Company has expanded its cross-brand Gift Card program, featuring multi-brand cards that are available on the Company's many websites as well as in third-party mass market retail outlets. This program promises to significantly raise brand awareness on a nationwide level.

SUNDAY	MONDAY	TUESDAY
4 Independence Day	5	6
11	12	13
18	19	20
25 Parents' Day	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8	9	10
14 *Bastille Day*	15	16	17
21	22	23	24
28	29	30	31

August • 2010



Reacting rapidly and decisively to an historic economic downturn during fiscal 2009, 1-800-FLOWERS.COM accelerated initiatives under its Process Enhancement Programs (PEP) banner to achieve its target of $50 million in operating cost savings. This was on top of the more than $25 million in operating expenses that the Company had previously removed from its platform. The focus on operating cost efficiencies is now ingrained as part of the 1-800-FLOWERS.COM corporate DNA, and the Company expects to realize these cost reductions across all of its businesses and brands throughout fiscal 2010 and beyond.

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15	16 *National Friendship Week Begins*	17
22	23	24
29	30	31

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5	6	7
11	12	13	14
18	19	20	21
25	26	27	28

September • 2010

FOCUS: Customer Personas

The constant pursuit of customer knowledge is pivotal to the growth of 1-800-FLOWERS.COM. The Company is focused on learning all it can about its customers in order to provide them with the right products and services for all of their connective and celebratory occasions. In fiscal 2009, 1-800-FLOWERS.COM launched an intense effort to develop detailed "personas" for different customer segments – good, better and best. Sophisticated business analytics were also applied to the large volumes of data the Company has compiled about the gifting preferences of its 35 million customers. This has enabled the development of highly targeted online and offline marketing and merchandising programs that are helping to attract and grow the customer segments that provide the best return on marketing spending.

SUNDAY	MONDAY	TUESDAY
5	6 Labor Day	7
12 Grandparents' Day	13	14
19	20	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4
8 *Rosh Hashanah Begins at Sunset*	9	10	11 *Patriot Day*
15	16	17 *Yom Kippur Begins at Sunset*	18
22	23 *First Day of Fall*	24	25
29	30		

October • 2010

In fiscal 2009 and continuing through 2010, BloomNet focused on increasing its value added proposition to BloomNet florists, introducing new initiatives to complement an already extensive assortment of support services and a popular line of products. Making its debut was floriology, an informative full color monthly magazine devoted to building community among florists by providing a forum for them to share their own insights and success stories covering such topics as floral design, marketing and social media. BloomNet also enhanced two-way communication throughout its wire service network by creating floral design councils which invite florists to assist 1-800-FLOWERS.COM in the creation of exciting new floral products.

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11 *Columbus Day (observed)*	12
17	18	19
24 / *Halloween* 31	25	26

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2
6	7	8 *National Children's Day*	9
13	14	15 *National Bosses' Day*	16 *Sweetest Day*
20	21	22	23
27	28	29	30

November • 2010

FOCUS:
Mobile Marketing

Even in the difficult economy that punctuated fiscal 2009, 1-800-FLOWERS.COM continued its tradition of strategically innovating and investing for the future. Exemplifying this are the Company's floral industry-first mobile commerce web storefront applications on Blackberry® and iPhone devices as well as the creation of a storefront app for Google's Android platform which runs on a variety of smartphones. Mobile commerce represents the next wave of Web 2.0 and 1-800-FLOWERS.COM is on the cutting edge, positioning itself for significant growth in this area as more and more customers adopt mobile technology as their e-commerce preference.

SUNDAY	MONDAY	TUESDAY
	1	2 *Election Day*
7	8	9
14	15	16
21	22	23
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11 *Veteran's Day*	12	13
17	18	19	20
24	25 *Thanksgiving Day*	26	27

December • 2010

During fiscal 2009, 1-800-FLOWERS.COM continued to focus on product innovation, enhancing its leadership in floral gifts through expert design offerings including the "Martha Stewart for 1-800-Flowers.com Boutique." The Company also broadened its best selling line of signature floral products featuring such whimsical creations as the Happy Hour Mini Collection℠ and the Slice of Life™ birthday cake slice-shaped arrangement. Innovative ideas in gourmet foods were also rolled out, notably shelf-stable Cheryl&Co.® cookies, Fannie May® ice cream and new flavor selections from The Popcorn Factory®. Additionally, the Company utilized the industry-leading product design capabilities of its DesignPac Gifts subsidiary to serve as the platform for its newest brand: 1-800-Baskets.com®.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14
19	20	21 *First Day of Winter*
26 *First Day of Kwanzaa*	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1 *Hanukkah Begins at Sunset*	2	3	4
8	9	10	11
15	16	17	18
22	23	24	25 *Christmas Day*
29	30	31	

Board of Directors

James F. McCann
Chairman and Chief
Executive Officer
1-800-FLOWERS.COM

Christopher G. McCann
President
1-800-FLOWERS.COM

Jan Murley
Interim President
Consumer Floral Brand
1-800-FLOWERS.COM

Jeffrey C. Walker
Chairman
Millennium Promise

James A. Cannivino
Chairman & CEO
Direct Insite, Inc.

Leonard J. Elmore
Attorney,
ESPN Analyst

John J. Conefry
Vice Chairman
Astoria Financial Corporation

Lawrence V. Calcano
Chief Executive Officer
Calcano Capital Advisors

Larry Zarin
Senior Vice President,
Marketing & Corporate
Communications
Express Scripts, Inc.

Corporate Officers

James F. McCann
Chairman and Chief Executive Officer
1-800-FLOWERS.COM

Christopher G. McCann
President
1-800-FLOWERS.COM

William E. Shea
Senior Vice President,
Treasurer and Chief Financial Officer
1-800-FLOWERS.COM

Gerard M. Gallagher
Senior Vice President of Business Affairs,
General Counsel and Corporate Secretary
1-800-FLOWERS.COM

Stephen Bozzo
Senior Vice President,
Chief Information Officer
1-800-FLOWERS.COM

Jan Murley
Interim President
Consumer Floral Brand
1-800-FLOWERS.COM

Timothy J. Hopkins
President
Madison Brands
1-800-FLOWERS.COM

David Taiclet
President
Gourmet Food & Gift Baskets
1-800-FLOWERS.COM

Mark L. Nance
President
BloomNet
1-800-FLOWERS.COM

Fiscal Year 2009

Financial Report

1·800·FLOWERS.COM, INC.

Selected Financial Data

1-800-FLOWERS.COM, Inc. and Subsidiaries

The selected consolidated statement of operations data for the years ended June 28, 2009, June 29, 2008 and July 1, 2007 and the consolidated balance sheet data as of June 28, 2009 and June 29, 2008, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for the years ended July 2, 2006 and July 3, 2005, and the selected consolidated balance sheet data as of July 1, 2007, July 2, 2006 and July 3, 2005, are derived from the Company's audited consolidated financial statements which are not included in this Annual Report.

The following tables summarize the Company's consolidated statement of operations and balance sheet data. The Company acquired selected assets of Geerlings & Wade, Inc. in March 2009 and Napco Marketing Corp. in July 2008, DesignPac Gifts, LLC in April 2008, Fannie May Confections Brands, Inc. in May 2006, Cheryl & Co. in March 2005 and The Winetasting Network in November 2004. The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report.

	Years Ended (1), (2)				
	June 28, 2009	June 29, 2008	July 1, 2007	July 2, 2006	July 3, 2005
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues:					
E-commerce	**$498,519**	$584,174	$576,627	$521,161	$461,305
Other	**215,431**	155,037	149,023	63,661	37,057
Total net revenues	**713,950**	739,211	725,650	584,822	498,362
Cost of revenues	**432,744**	426,916	419,083	350,733	302,439
Gross profit	**281,206**	312,295	306,567	234,089	195,923
Operating expenses:					
Marketing and sales	**175,839**	183,430	180,238	160,932	131,431
Technology and development	**21,000**	19,611	18,871	17,689	13,273
General and administrative	**50,451**	52,107	50,236	37,373	29,481
Depreciation and amortization	**21,010**	17,822	15,353	13,595	12,587
Goodwill and intangible impairment	**85,438**	—	—	—	—
Total operating expenses	**353,738**	272,970	264,698	229,589	186,772
Operating income (loss)	**(72,532)**	39,325	41,869	4,500	9,151
Other income (expense), net (3)	**(9,295)**	(4,170)	(6,133)	(47)	2,174
Income (loss) from continuing operations before income taxes	**(81,827)**	35,155	35,736	4,453	11,325
Income tax expense (benefit) from continuing operations	**(15,326)**	13,126	14,755	2,382	4,606
Income (loss) from continuing operations	**(66,501)**	22,029	20,981	2,071	6,719
Income (loss) from discontinued operations, before income taxes	**(4,996)**	(1,785)	(6,727)	1,915	1,922
Impairment of discontinued business	**(34,758)**	—	—	—	—
Income tax expense (benefit) from discontinued operations	**(7,838)**	(810)	(2,864)	799	792
Income (loss) from discontinued operations	**(31,916)**	(975)	(3,863)	1,116	1,130
Net income (loss)	**$ (98,417)**	$ 21,054	$ 17,118	$ 3,187	$ 7,849
Net income (loss) per common share (basic):					
From continuing operations	**$ (1.05)**	$ 0.35	$ 0.33	$ 0.03	$ 0.10
From discontinued operations	**(0.50)**	$ (0.02)	$ (0.06)	$ 0.02	$ 0.02
Net income (loss) per common share (basic)	$ **(1.55)**	$ 0.33	$ 0.27	$ 0.05	$ 0.12
Net income (loss) per common share (diluted):					
From continuing operations	$ **(1.05)**	$ 0.34	$ 0.32	$ 0.03	$ 0.10
From discontinued operations	**(0.50)**	(0.01)	(0.06)	0.02	0.02
Net income (loss) per common share (diluted)	$ **(1.55)**	0.32	0.26	0.05	0.12
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**63,565**	63,074	63,786	65,100	66,038
Diluted	**63,565**	65,458	65,526	66,429	67,402

Note (1): The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years ended June 28, 2009, June 29, 2008, July 1, 2007, and July 2, 2006 consisted of 52 weeks, while the fiscal year ended July 3, 2005 consisted of 53 weeks.
Note (2): Effective July 4, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective application method.
Note (3): Other income (expense), net during the fiscal year ended June 28, 2009 includes the write-off of deferred financing costs of approximately $3.2 million related to the April 14, 2009 modification of the Company's 2008 Credit Facility.

	As of				
	June 28, 2009	June 29, 2008	July 1, 2007	July 2, 2006	July 3, 2005
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and equivalents and short-term investments	**$ 29,562**	$ 12,124	$ 16,087	$ 24,599	$ 46,608
Working capital	**43,679**	33,416	51,419	44,250	44,739
Total assets	**286,127**	371,338	352,507	346,634	251,952
Long-term liabilities	**73,945**	63,739	78,911	79,221	5,281
Total stockholders' equity	**133,783**	231,465	201,031	193,183	186,334

Management's Discussion and Analysis of Financial Condition and Results of Operations

1-800-FLOWERS.COM, Inc. and Subsidiaries

Description of Business

For more than 30 years, 1-800-FLOWERS.COM, Inc. has been providing customers with fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, balloons and plush stuffed animals perfect for every occasion. 1-800-FLOWERS.COM® offers the best of both worlds: exquisite arrangements individually created by some of the nation's top floral artists and hand-delivered the same day, and spectacular flowers shipped overnight under our Fresh From Our Growers® program. As always, 100 percent satisfaction and freshness are guaranteed. The Company's BloomNet® (www.mybloomnet.net) international floral wire service provides a broad range of quality products and value-added services designed to help professional florists to grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); exceptional cookies and baked gifts from Cheryl&Co.® (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May Confections Brands (www.fanniemay.com and www.harrylondon.com); gourmet foods from Greatfood.com® (www.greatfood.com); wine gifts from Ambrosia® (www.ambrosia.com or www.winetasting.com or www.Geerwade.com); and gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and DesignPac Gifts℠ (www.designpac.com).

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment, which includes Home Decor and Children's Gifts from Plow & Hearth® (1-800-627-1712 or www.plowandhearth.com), Wind & Weather® (www.windandweather.com), HearthSong® (www.hearthsong.com) and Magic Cabin® (www.magiccabin.com), as discontinued operations for all periods presented.

1-800-FLOWERS.COM, Inc. stock is traded on the NASDAQ Global Select Market under ticker symbol FLWS.

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. The demand for the Company's products is affected by the financial health of our customers, which is influenced by macro economic issues such as unemployment, fuel and energy costs, weakness in the housing market and unavailability of consumer credit. During the recent economic downturn, the demand for our products has been adversely affected by the reduction in consumer spending, and the Company's results for the fiscal year ended June 28, 2009 reflect the impact of the global economic downturn.

However, during fiscal 2009, the Company took significant steps to reduce its operating cost structure to improve its results in the near-term; including:

- During the fourth quarter the Company made the strategic decision to divest its Home & Children's Gifts segment in order to focus its efforts and investments on its key Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories which better leverage the Company's business platform and offer the greatest opportunity for revenue and earnings growth.
- The Company implemented enterprise-wide cost reduction programs including a 15% reduction in its salaried, full-time labor force, as well as reductions in variable labor commensurate with lower order volumes.
- The IT infrastructure was reduced through consolidation of hosting sites, reducing footprints and rationalizing maintenance and support applications.
- Marketing programs across the enterprise were evaluated and spending on such programs has been scaled to levels appropriate to current consumer demand in order to achieve desired returns on these investments.

• Brick-and-mortar customer service centers were closed, reducing fixed costs, as the Company further virtualized its customer service platform, utilizing technology to expand its home agent network.

• Product assortments have been evaluated and reformulated to meet reduced price points, providing for better product margins and alleviating the reliance on discounting and markdowns in order to improve demand.

We continue to evaluate further cost-reduction activities as well as the need to adjust our operations in the event that economic conditions deteriorate further. The Company believes that its cost reduction initiatives, combined with its ability to be innovative and execute quickly, will enable it to strengthen its relative competitive position in this difficult economic environment and to take advantage of long-term growth opportunities when favorable business conditions return.

The following tables set forth some of the Company's key financial information:

Category Information

The Company has segmented its organization to improve execution and customer focus and to align its resources to meet the demands of the markets it serves. The following table presents the contribution of net revenues, gross profit and category contribution margin or category "Adjusted EBITDA" (earnings before interest (including write-off of deferred financing costs, taxes, depreciation and amortization, goodwill and intangible impairment and severance and other restructuring costs) from each of the Company's business categories. (As noted previously, the Company's Home & Children's Gifts segment has been classified as discontinued operations and therefore excluded from category information below).

Net Revenues

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Net revenues from continuing operations:					
1-800-Flowers.com Consumer Floral	**$414,897**	(15.6%)	$491,696	0.1%	$491,404
BloomNet Wire Service	**63,933**	19.5%	53,488	20.5%	44,379
Gourmet Food & Gift Baskets	**240,200**	22.4%	196,298	1.9%	192,698
Corporate(*)	**1,119**	(54.0%)	2,431	47.2%	1,652
Intercompany eliminations	**(6,199)**	(31.8%)	(4,702)	(4.9%)	(4,483)
Total net revenues from continuing operations	**$713,950**	(3.4%)	$739,211	1.9%	$725,650

Gross Profit from Continuing Operations:

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Gross profit:					
1-800-Flowers.com Consumer Floral	**$152,045**	(20.1%)	$190,259	(1.4%)	$192,921
	36.6%		38.7%		39.3%
BloomNet Wire Service	**35,374**	17.6%	30,080	21.1%	24,844
	55.3%		56.2%		56.0%
Gourmet Food & Gift Baskets	**94,021**	2.5%	91,713	4.0%	88,207
	39.1%		46.7%		45.8%
Corporate(*)	**289**	(70.2%)	970	27.0%	764
	25.8%		39.9%		46.2%
Intercompany eliminations	**(524)**		(727)		(169)
Total gross profit from continuing operations	**$281,206**	(10.0%)	$312,295	1.9%	$306,567
	39.4%		42.2%		42.2%

Adjusted EBITDA (**) from Continuing Operations:

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
1-800-Flowers.com Consumer Floral	**$ 40,882**	(35.1%)	$ 62,967	(3.4%)	$ 65,166
BloomNet Wire Service	**19,093**	3.2%	18,509	30.7%	14,162
Gourmet Food & Gift Baskets	**23,433**	(4.7%)	24,593	(6.8%)	26,377
Category Contribution Margin Subtotal	**83,408**	(21.4%)	106,069	0.3%	105,705
Corporate(*)	**(49,492)**	(1.2%)	(48,922)	(0.9%)	(48,483)
Severance and other restructuring costs	**2,543**	100.0%	—	—	—
Adjusted EBITDA from continuing operations	**$ 36,459**	(36.2%)	$ 57,147	0.1%	$ 57,222

Discontinued Operations:

	Years Ended			
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007

	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
			(in thousands)		
Net revenues from discontinued operations	**$143,746**	(20.2%)	$180,181	(3.6%)	$186,948
Gross profit from discontinued operations	**67,439**	(17.2%)	81,459	(5.2%)	85,899
Adjusted EBITDA from discontinued operations	**$ (2,569)**	(539.9%)	$ 584	113.3%	$ (4,392)

(*) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among other items, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center, which are allocated directly to the above categories based upon usage, are included within corporate expenses as they are not directly allocable to a specific category.

(**) Performance is measured based on category contribution margin or category Adjusted EBITDA, reflecting only the direct controllable revenue and operating expenses of the categories. As such, management's measure of profitability for these categories does not include the effect of corporate overhead, described above, depreciation and amortization, other income (net), including deferred financing write-offs, income taxes, goodwill and intangible impairment, and severance and other restructuring costs. Management utilizes EBITDA, and adjusted financial information, as a performance measurement tool because it considers such information a meaningful supplemental measure of its performance and believes it is frequently used by the investment community in the evaluation of companies with comparable market capitalization. The Company also uses EBITDA and adjusted financial information as one of the factors used to determine the total amount of bonuses available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and adjusted financial information to measure compliance with covenants such as interest coverage and debt incurrence. EBITDA and adjusted financial information is also used by the Company to evaluate and price potential acquisition candidates. EBITDA and adjusted financial information have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of these limitations are: (a) EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Due to the Company's strategic decision to divest its Home & Children's Gifts segment and classify such as Discontinued Operations as well as other non-recurring charges incurred during fiscal 2009 (Goodwill and intangible impairment; Deferred financing costs write-off; and Severance and other restructuring costs), the following Non-GAAP reconciliation table have been included within MD&A.

Reconciliation of Net Income (Loss) from Continuing Operations to Adjusted EBITDA from Continuing Operations:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Net income (loss) from continuing operations	**$(66,501)**	$ 22,029	$ 20,981
Add:			
Interest expense	**6,269**	5,039	7,212
Depreciation and amortization	**21,010**	17,822	15,353
Income tax expense	**—**	13,126	14,755
Goodwill and intangible impairment	**85,438**	—	—
Deferred financing cost write-off	**3,245**	—	—
Severance and other restructuring costs	**$ 2,543**	—	—
Less:			
Income tax benefit	**$ 15,326**	—	—
Interest income	**314**	826	1,077
Other income (expense)	**(95)**	43	2
Adjusted EBITDA from continuing operations	**$ 36,459**	$ 57,147	$ 57,222

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2009, 2008 and 2007 which ended on June 28, 2009, June 29, 2008 and July 1, 2007 respectively, consisted of 52 weeks.

Net Revenues

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
			(in thousands)		
Net revenues:					
E-Commerce	**$498,519**	(14.7%)	$584,174	1.3%	$576,627
Other	**215,431**	39.0%	155,037	4.0%	149,023
	$713,950	(3.4%)	$739,211	1.9%	$725,650

Net revenues consist primarily of the selling price of the merchandise, service or outbound shipping charges, less discounts, returns and credits.

During the fiscal year ended June 28, 2009, revenues declined by 3.4% over the prior year period, resulting from continued weakness in the retail economy causing a decline in both customer orders as well as overall average order values as consumers "traded down" to

lower price point products. The decline was partially offset by revenue growth in the Company's BloomNet Wire Service category, which increased during the year ended June 28, 2009 by 19.5% over the prior year due to the acquisition of Napco, a wholesaler of floral hardgoods, in July 2008, as well as growth from the Gourmet Food & Gift Baskets category by 22.4%, due to the incremental revenue associated with the acquisition of DesignPac in May 2008 and Geerlings & Wade in March 2009. Organic revenue, excluding the revenue associated with the acquisitions of DesignPac, Napco, and Geerlings & Wade, declined approximately 13.1% during the fiscal year ended June 28, 2009. The Company's revenue growth of 1.9% during the fiscal year ended June 29, 2008 was primarily attributable to the continued expansion of the Company's BloomNet Wire Service business, which increased 20.5% over the prior fiscal year, as well as growth from the Gourmet Food & Gift Basket business, which increased 1.9% over the same period of the prior year.

The Company fulfilled approximately 8.6 million, 9.8 million and 9.8 million orders through its e-commerce (combined online and telephonic) sales channel during fiscal 2009, 2008 and 2007, respectively. The Company's e-commerce (combined online and telephonic) sales channel average order value decreased 3.5% to $57.69 during fiscal 2009, as a result of increased promotional pricing and markdowns and consumers trading down to lower price point products, whereas the average order value increased by 1.4% to $59.79 during fiscal 2008, primarily as a result of increased service and shipping charges (in line with industry norms) to partially offset the impact of increased fuel costs passed on from freight carriers.

Other revenues increased during fiscal 2009 as a result of the Company's recent acquisitions of Napco and DesignPac, and during fiscal 2008 due to growth within the Company's BloomNet Wire Service category.

The 1-800-Flowers.com Consumer Floral category includes the operations of the 1-800-Flowers brand which derives revenue from the sale of consumer floral products through its E-Commerce sales channels (telephonic and online sales) and company-owned and operated retail floral stores, as well as royalties from its franchise operations. Net revenues during the fiscal year ended June 28, 2009 decreased 15.6% over the prior year period due to lower order volume as a result of continued decline in demand throughout the consumer sector, caused by the weak economy. Net revenues during the fiscal year ended June 29, 2008 increased by 0.1% over the prior year period, primarily from an increased average order value from its e-commerce sales channel, offset in part by lower retail sales from its company-owned floral stores due to the planned transition of Company stores to franchise ownership.

The BloomNet Wire Service category includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during the fiscal year ended June 28, 2009 increased by 19.5% over the prior year, resulting entirely from the incremental revenue generated by the acquisition of Napco in July 2008, as lower wholesale product sales due to florists scaling back purchases due to the recession offset gains in monthly service fees. Net revenues during the fiscal year ended June 29, 2008 increased by 20.5% over the prior year period primarily as a result of increased florists' membership fees, expanded product and service offerings, and pricing initiatives.

The Gourmet Food & Gift Baskets category includes the revenues of Cheryl & Co., Fannie May (including Harry London), Popcorn Factory, The Winetasting Network (including Geerlings & Wade) and DesignPac brands. Revenue is derived from the sale of cookies, baked gifts, premium chocolates and confections, gourmet popcorn, wine gifts and gift baskets through its E-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Cheryl & Co. and Fannie May brands, as well as wholesale operations. Net revenues during the fiscal year ended June 28, 2009 increased by 22.4% over the prior year period as a result of incremental wholesale revenues generated by DesignPac, acquired in April 2008. Net revenues decreased 7.8%, excluding the revenues of DesignPac, as a result of reduced consumer spending caused by the economic down-turn. Net revenues for the fiscal year ended June 29, 2008 increased 1.9% compared to the prior fiscal year as a result of increased direct-to-consumer order volume from Cheryl & Co. and Fannie May Confections brands.

The Company expects economic conditions for consumers will continue to be very challenging. Based on this outlook, the Company anticipates that revenues for the full fiscal year 2010 will be consistent to down approximately 5 percent compared with the prior year.

Gross Profit

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Gross profit	**$281,206**	(10.0%)	$312,295	1.9%	$306,567
Gross margin %	**39.4%**		42.2%		42.2%

Gross profit consists of net revenues less cost of revenues, which is comprised primarily of florist fulfillment costs (primarily fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues include labor and facility costs related to direct-to-consumer and wholesale production operations.

Gross profit decreased during the fiscal year ended June 28, 2009, through a combination of the decline in revenues described above, offset in part by the incremental gross profit generated by the DesignPac and Napco acquisitions and the reduction in gross margin percentage. Gross margin percentage during the fiscal year ended June 28, 2009, decreased by 280 basis points, primarily reflecting a combination of product mix associ-

ated with revenues from the Company's most recent acquisitions, which are primarily wholesale businesses, as well as increased promotional and markdown activity designed to improve sales. Gross profit increased during the fiscal year ended June 29, 2008 in comparison to the same period of the prior year, primarily as a result of the revenue growth described above. Gross margin percentage during the fiscal year ended June 29, 2008 was consistent with the prior year period.

The 1-800-Flowers.com Consumer Floral category gross profit and gross profit margin percentage decreased during the fiscal years ended June 28, 2009 and June 29, 2008, by 20.1% and 210 basis points, and 1.4% and 60 basis points, over the respective prior year periods, as a result of decreased sales volume and promotional pricing, which has characterized the retail sector as a result of the recession.

The BloomNet Wire Service category gross profit increased during the fiscal year ended June 28, 2009 by 17.6% compared to the prior year, as a result of the aforementioned revenue contribution from the Napco acquisition in July 2008. Gross profit margins decreased by 90 basis points during fiscal 2009 as a result of product mix, including Napco's wholesale products, which bear lower margins. During the fiscal year ended June 29, 2008 gross profit increased by 21.1% over the prior year period as a result of the above mentioned revenue growth resulting from an increase in membership services and pricing initiatives, which also drove a higher gross margin, which increased 20 basis points in comparison to the prior year.

The Gourmet Food & Gift Baskets category gross profit increased during the fiscal year ended June 28, 2009 by 2.5% over the prior year period as a result of the incremental gross profit generated by DesignPac, which was also the primary driver of the decrease in gross margin percentage as DesignPac products carry lower wholesale margins. In addition, gross profit margins were depressed as a result of increased promotional activity during the key holiday periods within the category's E-Commerce and retail store sales channels. During the fiscal year ended June 29, 2008 the Gourmet Food & Gift Basket category gross profit increased by 4.0% over the prior year period as a result of higher revenues and higher gross margin percentage, which increased 90 basis points to 46.7% due to manufacturing efficiencies and sales channel/product mix.

During fiscal 2010, the Company expects its gross margin percentage will improve slightly in comparison to 2009 as a result of a positive shift in product mix and anticipated gross margin improvements in most of its businesses resulting from product sourcing and supply chain initiatives, which are expected to reduce reliance on promotional activity.

Marketing and Sales Expense

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Marketing and sales	**$175,839**	(4.1%)	$183,430	1.8%	$180,238
Percentage of sales	**24.6%**		24.8%		24.8%

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, online portal and search costs, retail store and fulfillment operations (other than costs included in cost of revenues) and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

During the fiscal year ended June 28, 2009, marketing and sales expenses decreased 4.1% and 20 basis points to 24.6% of net revenue in comparison to the prior year. (Excluding the impact of severance and other restructuring costs of $1.8 million including within marketing and sales, marketing and sales expense decreased 5.1% and 40 basis points in comparison to prior year.) The overall decrease in expense reflects the success of the Company's ongoing cost reduction initiatives, including accelerated efforts to reduce costs in the face of continuing revenue declines, as well as the impact of DesignPac's cost structure which has low operating costs relative to its revenue. These cost reduction programs, which began in 2006, were designed to improve operating leverage across the Company's brands, reducing the Company's operating expense ratio by 290 basis points through fiscal 2008, and have been expanded and accelerated to mitigate the revenue reductions that have been associated with the current economic decline. Within marketing and sales, the Company has undertaken programs that have reduced or reallocated media, portal spending, and customer prospecting through catalogs, which were not expected to generate sufficient returns in this challenging economic environment. In addition, initiatives such as catalog print and paper sourcing, co-mailing and e-mail pricing reductions, and further virtualization of our consumer service platform to reduce fixed facility and labor, have enabled the Company to improve its cost structure. During the fiscal year ended June 29, 2008, marketing and sales expenses were consistent as a percentage of revenue in comparison to fiscal 2007.

During the fiscal year ended June 28, 2009 the Company added approximately 2.4 million new e-commerce customers, compared to 2.8 million and 2.7 million in 2008 and 2007, respectively. Of the 5.0 million total customers who placed e-commerce orders during fiscal 2009, approximately 52% were repeat customers, compared to 49% and 48% in 2008 and 2007, respectively, reflecting the Company's ongoing focus on deepening the relationship with its existing customers as their trusted source for gifts and services for all of their celebratory occasions.

During fiscal 2010, the Company expects that marketing and sales expense will continue to decrease in comparison to the prior year, but remain consistent as a percentage of net revenues due to the expectation of a slight decline in sales resulting from anticipated weakness in the economy through the fiscal 2010 holiday season.

Technology and Development Expense

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Technology and development	**$21,000**	7.1%	$ 19,611	3.9%	$ 18,871
Percentage of sales	**2.9%**		2.7%		2.6%

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its web sites, including hosting, design, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems.

During the fiscal year ended June 28, 2009, technology and development expense increased by 7.1% over the prior year as a result of the incremental technology and integration costs associated with the acquisitions of DesignPac and Napco, and an increase in hosting costs, as well as severance and restructuring costs associated with the Company's cost reduction programs in the amount of $0.3 million. Fiscal 2009 restructuring initiatives included a reduction in the number of hosting sites and footprint which will result in annualized savings during fiscal 2010. During fiscal 2008, technology and development expense increased 3.9% and 10 basis points to 2.6% of net revenues, in comparison to the prior year period as a result of increased labor costs. The increased labor costs were necessary to support the Company's technology platform, and were partially offset by savings derived from renegotiating certain technology maintenance and license agreements

During the fiscal years ended June 28, 2009, June 29, 2008, and July 1, 2007 the Company expended $35.7 million, $32.2 million, and $29.5 million, respectively, on technology and development, of which $14.7 million, $12.6 million, and $10.6 million, respectively, has been capitalized.

The Company believes that continued investment in technology and development is critical to attaining its strategic objectives, and expects that its spending for fiscal 2010 will decrease slightly, as a percentage of net revenues, in comparison to the prior year.

General and Administrative Expense

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
General and administrative	**$50,451**	(3.2%)	$ 52,107	3.7%	$ 50,236
Percentage of sales	**7.1%**		7.0%		6.9%

General and administrative expense consists of payroll and other expenses in support of the Company's executive, finance and accounting, legal, human resources and other administrative functions, as well as professional fees and other general corporate expenses.

General and administrative expense decreased by 3.2% during the fiscal year ended June 28, 2009, as the prior year period reflects the achievement of certain cash and equity performance based bonus targets, which were not earned in fiscal 2009, as well as cost reduction initiatives, offset in part by the incremental expenses of DesignPac and Napco and severance and restructuring costs of approximately $0.2 million. During fiscal 2008, general and administrative expenses increased 3.7% as a percentage of net revenues in comparison to the prior year, due to increased professional fees and corporate initiatives. The benefit of these increased costs in fiscal 2008 are reflected in the improvements within the Company's overall operating expense ratios, in comparison to the same period of the prior year.

As a result of cost reduction initiatives, the Company expects that its general and administrative expenses for fiscal 2010 will decrease slightly as a percentage of net revenues in comparison to the prior year.

Depreciation and Amortization

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Depreciation and amortization	**$ 21,010**	17.9%	$ 17,822	16.1%	$ 15,353
Percentage of sales	**2.9%**		2.4%		2.1%

Depreciation and amortization expense increased by 17.9% and 16.1% during the fiscal years ended June 28, 2009 and June 29, 2008, respectively, in comparison to the prior year periods, as a result of capital additions for technology platform improvements and the incremental amortization related to the intangibles established as a result of the acquisition of DesignPac in April 2008.

The Company believes that continued investment in its infrastructure, primarily in the areas of technology and development, including the improvement of the technology platforms, are critical to attaining its strategic objectives. However, the Company is committed to reducing its capital expenditures and coupled with the impairment

charge associated with certain of its amortizable intangibles, the Company expects that depreciation and amortization for fiscal 2010 will decrease in comparison to the prior year.

Goodwill and Intangible Impairment

During fiscal 2009 the Gourmet Food & Gift Basket segment experienced declines in revenue and operating performance when compared to prior years and their strategic outlook. The Company believes that this weak performance was attributable to reduced consumer spending due to the overall weakness in the economy. Based upon the expectation of a continuation of the current economic downturn, supported by lower order quantities received for the upcoming holiday season by certain wholesale customers, coupled with a decline of the Company's market capitalization and contraction of public company multiples, the Company recorded goodwill and intangible impairment charges of $85.4 million during the year ended June 28, 2009. Of the total impairment charge, approximately $65.6 million was related to goodwill and $19.8 million was related to intangibles.

Other Income (Expense)

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Interest income	**$ 314**	(62.0%)	$ 826	(23.3%)	$ 1,077
Interest expense	**(6,269)**	(24.4%)	(5,039)	(30.1%)	(7,212)
Deferred financing write-off	**(3,245)**	—	—	—	—
Other, net	**(95)**	(320.9%)	43	2,050.0%	2
	$ (9,295)	122.9%	$(4,170)	32.0%	$(6,133)

Other income (expense) consists primarily of interest expense and amortization of deferred financing costs, primarily attributable to the Company's long-term debt and revolving line of credit, partially offset by income earned on the Company's investments and available cash balances.

Net borrowing costs increased during the fiscal year ended June 28, 2009, in comparison to the prior year period, primarily as a result of incremental borrowings and related financing costs associated with the Company's credit facility (as defined below), whereas net borrowing costs declined during fiscal 2008, in comparison to fiscal 2007, as a result of declining interest rates and a reduction in outstanding debt.

In order to fund the increase in working capital requirements associated with DesignPac, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility, effective March 29, 2009, included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment.

As a result of the modifications of its credit agreements, during the quarter ended June 28, 2009, the Company wrote-off $3.2 million of financing costs associated with the term debt related to both the 2008 Credit Facility and the Amended 2008 Credit Facility.

During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

Income Taxes

During the fiscal year ended June 28, 2009, the Company recorded an income tax benefit of $15.3 million, resulting in an effective tax rate for the fiscal year ended June 28, 2009 of 18.7%. The Company's effective tax rate for the fiscal year ended June 28, 2009, differed from the U.S. federal statutory rate of 35% primarily due to the impact of the non-deductible portions of the goodwill and other intangible impairment charges of $85.4 million and various tax credits, partially offset by state income taxes.

During the fiscal years ended June 29, 2008 and July 1, 2007, the Company recorded income tax expense of $13.1 million and $14.8 million, respectively. The Company's effective tax rate for the fiscal years ended June 29, 2008 and July 1, 2007 was 37.3% and 41.3%, respectively. The decrease in the effective tax rate during the fiscal year ended June 29, 2008 resulted primarily from lower state taxes, as well as various tax credits programs. The Company's effective tax rate for the fiscal years ended June 29, 2008 and July 1, 2007 differed from the U.S. federal statutory rate of 35% primarily due to state income taxes, partially offset by various tax credits.

At June 28, 2009, the Company's federal net operating loss carryforwards were approximately $4.2 million, which, if not utilized, will begin to expire in fiscal year 2025.

Discontinued Operations

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Years Ended				
	June 28, 2009	% Change	June 29, 2008	% Change	July 1, 2007
	(in thousands)				
Net revenues from discontinued operations	**$143,746**	(20.2%)	$180,181	(3.6%)	$186,948
Gross profit from discontinued operations	**67,439**	(17.2%)	81,459	(5.2%)	85,899
Operating income (loss) from discontinued operations	**(4,996)**	(179.9%)	(1,785)	73.5%	(6,727)
Impairment of discontinued operations	**(34,758)**	—	—	—	—
Income (loss) from discontinued operations	**(31,916)**	(3,173.4%)	(975)	74.8%	(3,863)

The Home & Children's Gifts category includes revenues from Plow & Hearth, Wind & Weather, HearthSong and Magic Cabin brands. Revenue is derived from the sale of home decor and children's gifts through its E-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Plow & Hearth brand.

During the fiscal years ended June 28, 2009 and June 29, 2008, net revenues from discontinued operations decreased by 20.2% and 3.6%, respectively, over the prior year periods primarily as a result of lower order volume from the E-commerce sales channel, due to a combination of reduced consumer spending, particularly in the home décor product category, and a planned reduction in catalog circulation, including the elimination of the Madison Place and Problem Solvers catalog titles in fiscal 2008. Further contributing to the revenue decline were lower retail store sales, compared to the same periods of the prior year, due to a decline in customer traffic.

Gross profit from discontinued operations during the fiscal years ended June 28, 2009 and June 29, 2008, decreased by 17.2% and 5.2%, respectively, over the prior year periods as a result of the aforementioned revenue declines. Gross margin percentage during fiscal 2009 increased 170 basis points to 46.9%, benefiting from enhanced product sourcing and shipping initiatives, while during fiscal 2008, the gross margin percentage declined 70 basis points to 45.2%, due to promotional offers designed to re-engage core customers who had left the brand during fiscal 2007 when it had unsuccessfully moved away from its traditional product offerings, as well as from higher fuel surcharges on its outbound shipments.

Operating income (loss) from discontinued operations during the fiscal year ended June 28, 2009 includes approximately $0.4 million of restructuring costs associated with the Company's cost reduction initiatives.

During fiscal 2009, the Home and Children's Gift segment experienced significant declines in revenue and operating performance when compared to prior years and their strategic outlook. The Company believes that this weak performance was attributable to reduced consumer spending due to the overall weakness in the economy, and in particular, as a result of the continued decline in demand for home décor products. As a result of these factors, as well as the Company's plans to resize this category based on the expectation of continued weakness in the home décor retail sector, upon completion of the Company's impairment analysis, the goodwill and intangibles related to this reporting unit were deemed to be fully impaired. Therefore the Company recorded a goodwill and intangible impairment charge of $20.0 million related to this business segment. In the fourth quarter ended June 28, 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment. Consequently, the Company has classified the results of its Home & Children's Gifts segment as a discontinued operation, and recorded a charge of $14.7 million to write-down the assets of the discontinued business to management's estimate of their fair value.

Liquidity and Capital Resources

At June 28, 2009, the Company had working capital of $43.7 million, including cash and equivalents of $29.6 million, compared to working capital of $33.4 million, including cash and equivalents of $12.1 million, at June 29, 2008.

Net cash provided by operating activities of $28.2 million for the fiscal year ended June 28, 2009 was attributable to operating income, after adjusting for non-cash charges related to goodwill and other intangible charges ($85.4 million), impairment from discontinued operations ($34.8 million) and depreciation and amortization, offset by an increase in deferred taxes as a result of the non-cash charges related to goodwill and other intangibles, as well as seasonal changes in working capital including lower accounts payable and accrued expenses related to timing of vendor purchases, and increases in inventory due to the upcoming launch of the Company's 1-800-BASKETS.com brand and unfavorable revenues. Net cash provided by operating activities includes cash provided by the operating activities of discontinued operations of $7.2 million.

Net cash used in investing activities of $25.2 million for the fiscal year ended June 28, 2009 was attributable to capital expenditures, primarily related to the Company's technology and distribution infrastructure, and the acquisition of Napco in July 2008 and Geerlings & Wade in March 2009. Napco's purchase price of approximately $9.4 million, included an up-front cash payment of $9.3 million,

net of cash acquired, and the expected portion of "earn-out" incentives, which amount to a maximum of $1.6 million through the years ending July 2, 2012, upon achievement of specified performance targets. As of June 28, 2009, the Company does not expect that any of the specified performance targets will be achieved.

Net cash provided by financing activities of $14.5 million for the fiscal year ended June 28, 2009 was primarily from bank borrowings related to the Company's 2008 Credit Facility, as subsequently amended, net of the repayment of bank borrowings on outstanding debt and long-term capital lease obligations, as well as debt issuance costs.

In order to fund the increase in working capital requirements associated with DesignPac, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility, effective March 29, 2009, included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment.

As a result of the modifications of its credit agreements, during the quarter ended June 28, 2009, the Company wrote-off $3.2 million of financing costs associated with the term debt related to both the 2008 Credit Facility and the Amended 2008 Credit Facility.

During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

At June 28, 2009, the Company had no outstanding amounts under its revolving credit facility.

On January 21, 2008, the Company's Board of Directors authorized an increase to its stock repurchase plan which, when added to the funds remaining on its earlier authorization, increased the amount available for repurchase to $15.0 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. The Company repurchased $0.8 million of common stock during the year ended June 28, 2009. As of June 28, 2009, $13.2 million remains authorized but unused.

Under this program, as of June 28, 2009, the Company had repurchased 2,058,685 shares of common stock for $13.1 million, of which $0.8 million (397,899 shares), $1.1 million (133,609 shares) and $0.2 million (24,627 shares) were repurchased during the fiscal years ending June, 28, 2009, June 29, 2008 and July 1, 2007, respectively. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares of common stock from an affiliate. The purchase price was $15,689,000, or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and was in addition to the Company's then existing stock repurchase authorization.

At June 28, 2009, the Company's contractual obligations from continuing operations consist of:

		Payments due by period			
	Total	Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
			(in thousands)		
Long-term debt, including interest	$ 97,255	$ 24,764	$ 59,646	$ 12,845	$ —
Capital lease obligations, including interest	6,214	2,264	3,944	6	—
Operating lease obligations	50,107	11,441	19,078	13,873	5,715
Sublease obligations	7,721	2,455	3,406	1,469	391
Marketing agreement	7,000	3,500	3,500		
Purchase commitments (*)	29,521	29,521	—	—	—
Total	$197,818	$ 73,945	$ 89,574	$ 28,193	$ 6,106

(*) Purchase commitments consist primarily of inventory, equipment purchase orders and online marketing agreements made in the ordinary course of business.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial position and results of operations are based upon the consolidated financial statements of 1-800-FLOWERS.COM, Inc., which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, inventory and long-lived assets, including goodwill and other intangible assets related to acquisitions. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of its consolidated financial statements.

Revenue Recognition

Net revenues are generated by E-commerce operations from the Company's online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, less discounts, returns and credits. Net revenues are recognized upon product shipment. Shipping terms are FOB shipping point. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms of FOB shipping point.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers or franchisees to make required payments. If the financial condition of the Company's customers or franchisees were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory

The Company states inventory at the lower of cost or market. In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare that with inventory levels. It is possible that changes in consumer demand could cause a reduction in the net realizable value of inventory.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired and is evaluated annually for impairment. The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years.

The Company performs an annual impairment test as of the first day of its fiscal fourth quarter, or earlier if indicators of potential impairment exist, to evaluate goodwill. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. In assessing the recoverability of goodwill, the Company reviews both quantitative as well as qualitative factors to support its assumptions with regard to fair value. Judgment regarding the existence of impairment indicators is based on market conditions and operational performance of the Company. Future events could cause the Company to conclude that impairment indicators exist and that goodwill and other intangible assets associated with our acquired businesses is impaired.

Capitalized Software

The carrying value of capitalized software, both purchased and internally developed, is periodically reviewed for potential impairment indicators. Future events could cause the Company to conclude that impairment indicators exist and that capitalized software is impaired.

Stock-based Compensation

SFAS No. 123R requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. The Company determines the fair value of stock options issued by using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behavior. Expected volatilities are based on historical volatility of the Company's stock price. The dividend yield is based on historical experience and future expectations. The risk-free interest rate is derived from the US Treasury yield curve in effect at the time of grant. The Black-Scholes model also incorporates expected forfeiture rates, based on historical behavior. Determining these assumptions are subjective and complex, and therefore, a change in the assumptions utilized could impact the calculation of the fair value of the Company's stock options.

Income Taxes

The Company has established deferred income tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company has recognized as a deferred tax asset the tax benefits associated with losses related to operations, which are expected to result in a future tax benefit. Realization of this deferred tax asset assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that we consider in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

It is the Company's policy to provide for uncertain tax

positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more-likely-than-not to be sustained upon examination by taxing authorities. To the extent that the Company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected.

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162." SFAS No. 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for the Company's interim reporting period ending on September 27, 2009. The Company does not anticipate the adoption of SFAS No. 168 will have a material impact on its financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This SFAS requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The disclosure requirement under this SFAS is effective for the Company's annual reporting for the fiscal year ended on June 28, 2009.

In April 2009, the FASB issued FSP SFAS No. 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." FSP SFAS No. 141(R)-1 will amend the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R), "Business Combinations." The FSP will carry forward the requirements in SFAS No. 141, "Business Combinations," for acquired contingencies, thereby requiring that such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." The FSP will have the same effective date as SFAS No. 141(R), and will therefore be effective for the Company's business combinations for which the acquisition date is on or after July 1, 2009. The Company is currently evaluating the impact of the implementation of FSP SFAS No. 141(R)-1 on its consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." FSP SFAS No. 107-1 and APB 28-1 enhances consistency in financial reporting by increasing the frequency of fair value disclosures. The FSP relates to fair value disclosures for any financial instruments that are not currently reflected on a company's balance sheet at fair value. Prior to the effective date of this FSP, fair values for these assets and liabilities have only been disclosed once a year. The FSP will now require these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The disclosure requirement under this FSP is effective for the Company's interim reporting period ending on September 27, 2009.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, "Determination of the Useful Life of Intangible Assets." This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets," or SFAS 142. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently evaluating the impact, if any, that this FSP will have on its results of operations, financial position or cash flows.

In December 2007, the FASB issued Statement No. 141 (Revised), "Business Combinations" ("SFAS No. 141R") and SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements ("SFAS 160"). SFAS No. 141R and SFAS 160 revise the method of accounting for a number of aspects of business combinations and non-controlling interests, including acquisition costs, contingencies (including contingent assets, contingent liabilities and contingent purchase price), the impacts of partial and step-acquisitions (including the valuation of net assets attributable to non-acquired minority interests), and post acquisition exit activities of acquired businesses. SFAS 141R and SFAS 160 will be effective for the Company during the fiscal year beginning June 29, 2009. The Company cannot anticipate whether the adoption of SFAS No. 141R will have a material impact on its results of operations and financial condition as the impact is solely dependent on the terms of any business combination entered into by the Company after June 29, 2009.

Quantitative and Qualitative Disclosures About Market Risk

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds and investment grade corporate and U.S. government securities, as well as from outstanding debt. As of June 28, 2009, the Company's outstanding debt, including current maturities, approximated $92.9 million, of which $87.4 million was variable rate debt. Each 25 basis point change in interest rates would have a corresponding effect on our interest expense of approximately $0.2 million as of June 28, 2009. In July 2009 the Company entered into interest rate hedge contracts totaling $45.0 million to manage its exposure to changes in the fair value of debt due in fiscal 2010 through 2012. The effect of these hedges is to change the variable rate interest to a fixed rate.

Cautionary Statements Under the Private Securities Litigation Reform Act of 1995

Our disclosures and analysis in this Annual Report contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other statements we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan, "believe" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions; the effectiveness of our marketing programs; the performance of our existing products and services; our ability to attract and retain customers and expand our customer base; our ability to enter into or renew online marketing agreements; our ability to respond to competitive pressures; expenses, including shipping costs and the costs of marketing our current and future products and services; the outcome of contingencies, including legal proceedings in the normal course of business; and our ability to integrate acquisitions.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risk, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-K, 10-Q and 8-K reports to the SEC. Also note we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business under the item titled "Risk Factors" in our 10-K. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider such discussion to be a complete discussion of all potential risks and uncertainties.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2009 and 2008. The Company believes this unaudited information has been prepared substantially on the same basis as the annual audited consolidated financial statements and all necessary adjustments, consisting of only normal recurring adjustments, have been included in the amounts stated below to present fairly the Company's results of operations. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	Three Months Ended							
	Jun. 28, 2009	Mar. 28, 2009	Dec. 28, 2008	Sep. 28, 2008	Jun. 29, 2008	Mar. 30, 2008	Dec. 30, 2007	Sep. 30, 2007
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$138,090	$115,449	$157,085	$ 87,896	$154,284	$155,060	$181,817	$ 93,002
Other	34,372	39,030	94,486	47,542	32,661	39,942	54,372	28,073
Total net revenues	172,462	154,479	251,571	135,438	186,945	195,002	236,189	121,075
Cost of revenues	105,876	92,768	150,858	83,242	110,751	115,041	129,724	71,400
Gross Profit	66,586	61,711	100,713	52,196	76,194	79,961	106,465	49,675
Operating expenses:								
Marketing and sales	45,776	43,429	54,560	32,074	45,953	48,985	57,042	31,450
Technology and development	5,951	5,205	4,781	5,063	4,925	4,985	4,886	4,815
General and administrative	13,582	11,886	10,929	14,054	12,646	11,745	13,877	13,839
Depreciation and amortization	5,282	5,559	5,094	5,075	4,871	4,365	4,333	4,253
Goodwill and intangible impairment	8,978	76,460	—	—	—	—	—	—
Total operating expenses	79,569	142,539	75,364	56,266	68,395	70,080	80,138	54,357
Operating income (loss)	(12,983)	(80,828)	25,349	(4,070)	7,799	9,881	26,327	(4,682)
Other income (expense), net (*)	(4,810)	(1,000)	(2,420)	(1,065)	(541)	(741)	(1,488)	(1,400)
Income (loss) from continuing operations before income taxes	(17,793)	(81,828)	22,929	(5,135)	7,258	9,140	24,839	(6,082)
Income tax expense (benefit)	(4,713)	(17,569)	8,973	(2,017)	2,432	3,077	10,028	(2,411)
Income (loss) from continuing operations	(13,080)	(64,259)	13,956	(3,118)	4,826	6,063	14,811	(3,672)
Loss from discontinued operations, before income taxes	(14,269)	(3,309)	(18,559)	(3,617)	(1,072)	(4,584)	7,359	(3,488)
Income tax expense (benefit)	(5,122)	(1,793)	508	(1,431)	(544)	(1,811)	2,914	(1,369)
Loss from discontinued operations	(9,147)	(1,516)	(19,067)	(2,186)	(528)	(2,773)	4,445	(2,119)
Net income (loss)	$(22,227)	$ (65,775)	$ (5,111)	$ (5,304)	$ 4,298	$ 3,290	$ 19,256	$ (5,790)
Net income (loss) per common share (basic):								
From continuing operations	$ (0.21)	$ (1.00)	$ 0.22	$ (0.05)	$ 0.08	$ 0.10	$ 0.24	$ (0.06)
From discontinued operations	(0.14)	(0.02)	(0.30)	(0.03)	(0.01)	(0.04)	0.07	(0.03)
Net income (loss) per common share (basic)	$ (0.35)	$ (1.03)	$ (0.08)	$ (0.08)	$ 0.07	$ 0.05	$ 0.31	$ (0.09)
Net income (loss) per common share (diluted):								
From continuing operations	$ (0.21)	$ (1.00)	$ 0.22	$ (0.05)	$ 0.07	$ 0.09	$ 0.22	$ (0.06)
From discontinued operations	(0.14)	(0.02)	(0.30)	(0.03)	(0.01)	(0.04)	$ 0.07	(0.03)
Net income (loss) per common share (diluted)	$ (0.35)	$ (1.03)	$ (0.08)	$ (0.08)	$ 0.07	$ 0.05	$ 0.29	$ (0.09)
Basic	63,466	63,646	63,631	63,518	63,386	63,261	63,020	62,638
Diluted	63,466	63,646	63,631	63,518	65,462	65,413	66,050	62,638

(*) Other income (expense), net during the three months ended June 28, 2009 includes the write-off of deferred financing costs of approximately $3.2 million related to the April 14, 2009 modification of the Company's 2008 Credit Facility.

The Company's quarterly results may experience seasonal fluctuations. Due to the Company's expansion into non-floral products, including the recent acquisition of DesignPac Gifts, LLC, which was acquired in May 2008, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, generates the highest proportion of the Company's annual revenues. Additionally, as the result of a number of major floral gifting occasions, including Mother's Day, Administrative Professionals Week and Easter, revenues also rise during the Company's fiscal fourth quarter.

Consolidated Balance Sheets

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands, except share data)

	June 28, 2009	June 29, 2008
Assets		
Current assets:		
Cash and equivalents	**$ 29,562**	$ 12,124
Receivables, net	**11,335**	12,471
Inventories	**45,854**	38,844
Deferred tax assets	**12,666**	7,977
Prepaid and other	**4,518**	4,263
Current assets of discontinued operations	**18,143**	33,871
Total current assets	**122,078**	109,550
Property, plant and equipment, net	**54,770**	50,275
Goodwill	**41,205**	105,899
Other intangibles, net	**42,822**	65,421
Deferred income taxes	**11,725**	—
Other assets	**3,952**	3,912
Non-current assets of discontinued operations	**9,575**	36,281
Total assets	**$286,127**	$371,338
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 52,251**	$ 57,815
Current maturities of long-term debt and obligations under capital leases	**22,337**	12,801
Current liabilities of discontinued operations	**3,811**	5,518
Total current liabilities	**78,399**	76,134
Long-term debt and obligations under capital leases	**70,518**	55,250
Deferred tax liabilities	**—**	5,527
Other liabilities	**3,270**	2,759
Non-current liabilities of discontinued operations	**157**	203
Total liabilities	**152,344**	139,873
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	**—**	—
Class A common stock, $.01 par value, 200,000,000 shares authorized, 31,730,404 and 31,368,241 shares issued in 2009 and 2008, respectively	**317**	314
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,138,465 shares issued in 2009 and 2008	**421**	421
Additional paid-in capital	**281,247**	279,718
Retained deficit	**(116,256)**	(17,839)
Treasury stock, at cost, 5,122,225 and 4,724,326 Class A shares in 2009 and 2008, respectively, and 5,280,000 Class B shares	**(31,946)**	(31,149)
Total stockholders' equity	**133,783**	231,465
Total liabilities and stockholders' equity	**$286,127**	$371,338

See accompanying notes.

Consolidated Statements of Operations

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands, except per share data)

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Net revenues	**$713,950**	$739,211	$725,650
Cost of revenues	**432,744**	426,916	419,083
Gross profit	**281,206**	312,295	306,567
Operating expenses:			
Marketing and sales	**175,839**	183,430	180,238
Technology and development	**21,000**	19,611	18,871
General and administrative	**50,451**	52,107	50,236
Depreciation and amortization	**21,010**	17,822	15,353
Goodwill and intangible impairment	**85,438**	—	—
Total operating expenses	**353,738**	272,970	264,698
Operating income (loss)	**(72,532)**	39,325	41,869
Other income (expense):			
Interest income	**314**	826	1,077
Interest expense	**(6,269)**	(5,039)	(7,212)
Deferred financing write-off	**(3,245)**	—	—
Other, net	**(95)**	43	2
Total other income (expense), net	**(9,295)**	(4,170)	(6,133)
Income (loss) from continuing operations before income taxes	**(81,827)**	35,155	35,736
Income tax expense (benefit) from continuing operations	**(15,326)**	13,126	14,755
Income (loss) from continuing operations	**(66,501)**	22,029	20,981
Operating income (loss) from discontinued operations	**(4,996)**	(1,785)	(6,727)
Impairment of discontinued business	**(34,758)**	—	—
Income tax expense (benefit) from discontinued operations	**(7,838)**	(810)	(2,864)
Loss from discontinued operations	**(31,916)**	(975)	(3,863)
Net income (loss)	**$ (98,417)**	$ 21,054	$ 17,118
Net income (loss) per common share (basic):			
From continuing operations	**$ (1.05)**	$ 0.35	$ 0.33
From discontinued operations	**(0.50)**	(0.02)	(0.06)
Net income (loss) per common share (basic)	**$ (1.55)**	$ 0.33	$ 0.27
Net income (loss) per common share (diluted):			
From continuing operations	**$ (1.05)**	$ 0.34	$ 0.32
From discontinued operations	**(0.50)**	(0.01)	(0.06)
Net income (loss) per common share (diluted)	**$ (1.55)**	$ 0.32	$ 0.26
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**63,565**	63,074	63,786
Diluted	**63,565**	65,458	65,526

See accompanying notes.

Consolidated Statements of Stockholders' Equity

1-800-FLOWERS.COM, Inc. and Subsidiaries

Years ended June 28, 2009, June 29, 2008 and July 1, 2007
(in thousands, except share data)

	Common Stock				Additional	Retained	Treasury Stock		Stockholders'
	Class A		Class B		Paid-In				
	Shares	Amount	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance at July 2, 2006	29,872,183	$ 299	42,138,465	$ 421	$ 262,667	$ (56,011)	6,835,350	$ (14,193)	$ 193,183
Exercise of employee stock options and vesting of restricted stock	425,836	4	—	—	2,003	—	—	—	2,007
Stock-based compensation	—	—	—	—	4,600	—	—	—	4,600
Stock repurchase program	—	—	—	—	—	—	3,035,367	(15,877)	(15,877)
Net Income	—	—	—	—	—	17,118	—	—	17,118
Balance at July 1, 2007	30,298,019	303	42,138,465	421	269,270	(38,893)	9,870,717	(30,070)	201,031
Exercise of employee stock options and vesting of restricted stock	1,070,222	11	—	—	4,718	—	—	—	4,729
Stock-based compensation	—	—	—	—	3,534	—	—	—	3,534
Excess tax benefit from stock-based compensation	—	—	—	—	2,196	—	—	—	2,196
Stock repurchase program	—	—	—	—	—	—	133,609	(1,079)	(1,079)
Net income	—	—	—	—	—	21,054	—	—	21,054
Balance at June 29, 2008	31,368,241	314	42,138,465	421	279,718	(17,839)	10,004,326	(31,149)	231,465
Exercise of employee stock options and vesting of restricted stock	**362,163**	**3**	**—**	**—**	**111**	**—**	**—**	**—**	**114**
Stock-based compensation	**—**	**—**	**—**	**—**	**1,724**	**—**	**—**	**—**	**1,724**
Deferred tax shortfall from stock-based compensation	**—**	**—**	**—**	**—**	**(306)**	**—**	**—**	**—**	**(306)**
Stock repurchase program	**—**	**—**	**—**	**—**	**—**	**—**	**397,899**	**(797)**	**(797)**
Net income	**—**	**—**	**—**	**—**	**—**	**(98,417)**	**—**	**—**	**(98,417)**
Balance at June 28, 2009	**31,730,404**	**$ 317**	**42,138,465**	**$ 421**	**$ 281,247**	**$(116,256)**	**10,402,225**	**$ (31,946)**	**$133,783**

See accompanying notes.

Consolidated Statements of Cash Flows

1-800-FLOWERS.COM, Inc. and Subsidiaries

(in thousands)	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Operating activities:			
Net income (loss)	**$ (98,417)**	$ 21,054	$ 17,118
Reconciliation of net income (loss) to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**7,210**	3,009	893
Depreciation and amortization	**21,010**	17,624	15,353
Amortization of deferred financing costs	**3,751**	198	—
Deferred income taxes	**(22,249)**	8,582	12,622
Stock-based compensation	**1,724**	3,534	4,600
Excess tax benefits from stock-based compensation	**—**	(2,196)	—
Bad debt expense	**2,264**	2,094	1,713
Goodwill and intangible asset impairment from continuing operations	**85,426**	—	—
Impairment from discontinued operations	**34,758**	—	—
Other non-cash items	**(166)**	809	(791)
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**516**	848	(6,176)
Inventories	**(2,589)**	(5,023)	(5,211)
Prepaid and other	**(219)**	505	(682)
Accounts payable and accrued expenses	**(5,754)**	8,639	(2,540)
Other assets	**412**	(2,166)	(6,044)
Other liabilities	**511**	391	1,486
Net cash provided by operating activities	**28,188**	57,902	32,341
Investing activities:			
Acquisitions, net of cash acquired	**(12,001)**	(37,849)	(347)
Capital expenditures	**(12,265)**	(18,237)	(15,009)
Proceeds from sale of business	**25**	463	1,463
Other, net	**215**	(387)	242
Investing activities of discontinued operations	**(1,202)**	(1,705)	(3,034)
Net cash used in investing activities	**(25,228)**	(57,715)	(16,685)
Financing activities:			
Acquisition of treasury stock	**(797)**	(1,079)	(15,877)
Proceeds from employee stock options	**114**	4,729	2,007
Excess tax benefits from stock based compensation	**—**	2,196	—
Proceeds from bank borrowings	**120,000**	110,000	110,000
Repayment of notes payable and bank borrowings	**(100,648)**	(118,487)	(118,510)
Debt issuance cost	**(3,603)**	—	—
Repayment of capital lease obligations	**(502)**	(28)	(378)
Financing activities of discontinued operations	**(86)**	(1,481)	(1,410)
Net cash provided by (used in) financing activities	**14,478**	(4,150)	(24,168)
Net change in cash and equivalents	**17,438**	(3,963)	(8,512)
Cash and equivalents:			
Beginning of year	**12,124**	16,087	24,599
End of year	**$ 29,562**	$ 12,124	$ 16,087

See accompanying notes.

Supplemental Cash Flow Information:

- Interest paid amounted to $5.8 million, $5.1 million, and $7.4 million for the years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively.
- Capital expenditures excludes capital lease financing of $6.0 million $-, and $- for the years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively.
- The Company paid income taxes of approximately $3.0 million, $2.1 million and $1.4 million, net of tax refunds received, for the years ended June 28, 2009, June 29, 2008, and July 1, 2007, respectively.

Note 1. Description of Business

For more than 30 years, 1-800-FLOWERS.COM, Inc. has been providing customers with fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, balloons and plush stuffed animals perfect for every occasion. 1-800-FLOWERS.COM® offers the best of both worlds: exquisite arrangements individually created by some of the nation's top floral artists and hand-delivered the same day, and spectacular flowers shipped overnight under our Fresh From Our Growers® program. As always, 100 percent satisfaction and freshness are guaranteed. The Company's BloomNet® (www.mybloomnet.net) international floral wire service provides a broad range of quality products and value-added services designed to help professional florists to grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); exceptional cookies and baked gifts from Cheryl&Co.® (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May Confections Brands (www.fanniemay.com and www.harrylondon.com); gourmet foods from Greatfood.com® (www.greatfood.com); wine gifts from Ambrosia® (www.ambrosia.com or www.winetasting.com or www.Geerwade.com); and gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and DesignPac Gifts℠ (www.designpac.com).

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment, which includes Home Decor and Children's Gifts from Plow & Hearth® (1-800-627-1712 or www.plowandhearth.com), Wind & Weather® (www.windandweather.com), HearthSong® (www.hearthsong.com) and Magic Cabin® (www.magiccabin.com), as discontinued operations for all periods presented.

1-800-FLOWERS.COM, Inc. stock is traded on the NASDAQ Global Select Market under ticker symbol FLWS.

Note 2. Significant Accounting Policies

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2009, 2008 and 2007, which ended on June 28, 2009, June 29, 2008 and July 1, 2007, respectively, consisted of 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Equivalents

Cash and equivalents consist of demand deposits with banks, highly liquid money market funds, United States government securities, overnight repurchase agreements and commercial paper with maturities of three months or less when purchased.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out method of accounting.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets' estimated useful lives using the straight-line method. Amortization of leasehold improvements and capital leases are calculated using the straight-line method over the shorter of the lease terms, including renewal options expected to be exercised, or estimated useful lives of the improvements. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. The Company's property plant and equipment is depreciated using the following estimated lives:

Buildings	40 years
Leasehold Improvements	3 - 10 years
Furniture, Fixtures and Equipment	3 - 10 years
Software	3 - 5 years

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangibles are not amortized, but are evaluated annually for impairment. The Company performs its annual impairment test in its fiscal fourth quarter, or earlier if indicators of potential impairment exist, to evaluate goodwill. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. In assessing the recoverability of goodwill, the Company reviews both quantitative as well as qualitative factors to support its assumptions with regard to fair value.

The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years.

During fiscal 2009, the Company conducted its evaluation of impairment for goodwill and intangible assets and concluded that the carrying value of these assets exceeded their estimated fair value. Refer to Note 6, "Goodwill and Intangible Assets" for further description.

Deferred Catalog Costs

The Company capitalizes the costs of producing and distributing its catalogs. These costs are amortized in direct proportion with actual sales from the corresponding catalog over a period not to exceed 26-weeks. Included within prepaid and other current assets was $0.4 million and $0.5 million at June 28, 2009 June 29, 2008, respectively, relating to prepaid catalog expenses.

Investments

The Company considers all of its debt and equity securities, for which there is a determinable fair market value and no restrictions on the Company's ability to sell within the next 12 months, as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. For the years ended June 28, 2009, June 29, 2008 and July 1, 2007, there were no significant unrealized gains or losses. Realized gains and losses are included in other income. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis.

Fair Values of Financial Instruments

The recorded amounts of the Company's cash and equivalents, short-term investments, receivables, accounts payable, and accrued liabilities approximate their fair values principally because of the short-term nature of these items. The fair value of investments, including available-for-sale securities, is based on quoted market prices where available. The fair value of the Company's long-term obligations, the majority of which are carried at a variable rate of interest, are estimated based on the current rates offered to the Company for obligations of similar terms and maturities. Under this method, the Company's fair value of long-term obligations was not significantly different than the carrying values at June 28, 2009 and June 29, 2008.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and equivalents, investments and accounts receivable. The Company maintains cash and equivalents and investments with high credit, quality financial institutions. Concentration of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion throughout the United States, and the fact that a substantial portion of receivables are related to balances owed by major credit card companies. Allowances relating to consumer, corporate and franchise accounts receivable ($1.8 million and $1.4 million at June 28, 2009 and June 29, 2008, respectively) have been recorded based upon previous experience and management's evaluation.

Revenue Recognition

Net revenues are generated by E-commerce operations from the Company's online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, less discounts, returns and credits. Net revenues are recognized upon product shipment and do not include sales tax. Shipping terms are FOB shipping point. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms of FOB shipping point.

Cost of Revenues

Cost of revenues consists primarily of florist fulfillment costs (fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues includes labor and facility costs related to manufacturing and production operations.

Marketing and Sales

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, online portal and search expenses, retail store and fulfillment operations (other than costs included in cost of revenues), and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

The Company expenses all advertising costs, with the exception of catalog costs (see *Deferred Catalog Costs* above) at the time the advertisement is first shown. Advertising expense was $70.8 million, $78.9 million and $75.5 million for the years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively.

Technology and Development

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its web sites, including hosting, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems. Costs associated with the acquisition or development of software for internal use are capitalized if the software is expected to have a useful life beyond one year and amortized over the software's useful life, typically three to five years. Costs associated with repair, maintenance or the development of web site content are expensed as incurred as the useful lives of such software modifications are less than one year.

Stock-Based Compensation

The Company records compensation expense associated with stock options and other forms of equity compensation in accordance with SFAS No. 123(R), "Share-Based Payment." The Company adopted the modified prospective application method provided for under SFAS 123(R) and consequently did not retroactively adjust results from prior periods. Under this transition method, compensation cost associated with stock options and awards recognized in the fiscal years ended June 28, 2009, June 29, 2008 and July 1, 2007, includes: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, July 4, 2005 (based on grant-date fair value estimated in accordance

with the original provisions of SFAS No. 123), and (b) compensation cost for all stock-based payments granted subsequent to July 3, 2005 (based on the grant-date fair value estimated in accordance with the new provision of SFAS No. 123(R)).

Income Taxes

The Company has established deferred income tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. During fiscal 2008, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was no material impact on the Company's consolidated financial position or results of operations as a result of the adoption of the provisions of FIN 48.

Comprehensive Income

For the years ended June 28, 2009, June 29, 2008 and July 1, 2007, the Company's comprehensive income (loss) was equal to the respective net income (loss) for each of the periods presented.

Fair Value Measurements

Effective June 30, 2008, the Company adopted Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157") for certain financial assets and liabilities. This standard establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS 157 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets and liabilities, quoted prices for identically similar assets or liabilities in markets that are not active and models for which all significant inputs are observable either directly or indirectly.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions or external inputs for inactive markets.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. While the Company has previously invested in certain assets that would be classified as "level 1", as of June 28, 2009, the Company does not hold any "level 1" cash equivalents that are measured at fair value on a recurring basis, nor does the Company have any assets or liabilities that are based on "level 2" or "level 3" inputs.

Net Income (Loss) Per Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive common equivalent shares (consisting primarily of employee stock options and unvested restricted stock awards) outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares outstanding during the period, and excludes the effect of dilutive potential common shares (consisting primarily of employee stock options and unvested restricted stock awards) as their inclusion would be antidilutive.

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162." SFAS No. 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 is effective for the Company's interim reporting period ending on September 27, 2009. The Company does not anticipate the adoption of SFAS No. 168 will have a material impact on its financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This SFAS requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The disclosure requirement under this SFAS is effective for the Company's annual reporting for the fiscal year ended on June 28, 2009.

In April 2009, the FASB issued FSP SFAS No. 141 (R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." FSP SFAS No. 141(R)-1 will amend the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS No. 141(R), "Business Combinations." The FSP will carry forward the requirements in SFAS No. 141, "Business Combinations," for acquired contingencies, thereby requiring that such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." The FSP will have the same effective date as SFAS No. 141(R), and will therefore be effective for the Company's business

combinations for which the acquisition date is on or after July 1, 2009. The Company is currently evaluating the impact of the implementation of FSP SFAS No. 141(R)-1 on its consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." FSP SFAS No. 107-1 and APB 28-1 enhances consistency in financial reporting by increasing the frequency of fair value disclosures. The FSP relates to fair value disclosures for any financial instruments that are not currently reflected on a company's balance sheet at fair value. Prior to the effective date of this FSP, fair values for these assets and liabilities have only been disclosed once a year. The FSP will now require these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The disclosure requirement under this FSP is effective for the Company's interim reporting period ending on September 27, 2009.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, "Determination of the Useful Life of Intangible Assets." This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets," or SFAS 142. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently evaluating the impact, if any, that this FSP will have on its results of operations, financial position or cash flows.

In December 2007, the FASB issued Statement No. 141 (Revised), "Business Combinations" ("SFAS No. 141R") and SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements ("SFAS 160"). SFAS No. 141R and SFAS 160 revise the method of accounting for a number of aspects of business combinations and non-controlling interests, including acquisition costs, contingencies (including contingent assets, contingent liabilities and contingent purchase price), the impacts of partial and step-acquisitions (including the valuation of net assets attributable to non-acquired minority interests), and post acquisition exit activities of acquired businesses. SFAS 141R and SFAS 160 will be effective for the Company during the fiscal year beginning June 29, 2009. The Company cannot anticipate whether the adoption of SFAS No. 141R will have a material impact on its results of operations and financial condition as the impact is solely dependent on the terms of any business combination entered into by the Company after June 29, 2009.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform with the presentation in the current fiscal year. As a result of the Company's decision to dispose of its Home & Children's Gifts businesses, this segment has been accounted for as a discontinued operation and the prior periods have been reclassified to conform to the current period presentation. (Refer to Note 15. Discontinued Operations)

Note 3. Net Income Per Common Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	**$(98,417)**	$21,054	$ 17,118
Denominator:			
Weighted average shares outstanding	**63,565**	63,074	63,786
Effect of dilutive securities:			
Employee stock options (1)	—	1,808	1,282
Employee restricted stock awards	—	576	458
	—	2,384	1,740
Adjusted weighted-average shares and assumed conversions	**63,565**	65,458	65,526
Net income per common share:			
Basic	**$ (1.55)**	$ 0.33	$ 0.27
Diluted	**$ (1.55)**	$ 0.32	$ 0.26

Note (1): The effect of options to purchase 8.9 million, 3.2 million and 5.8 million shares for the years ended June 28, 2009, June 29, 2008, and July 1, 2007, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions

The Company accounts for its business combinations in accordance with SFAS No. 141, "Business Combinations," which addresses financial accounting and reporting for business combinations and requires that all such transactions be accounted for using the purchase method. Under the purchase method of accounting for business combinations, the aggregate purchase price for the acquired business is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

Acquisition of Napco Marketing Corp.

On July 21, 2008, the Company acquired selected assets of Napco Marketing Corp. (Napco), a wholesale merchandiser and marketer of products designed primarily for the floral industry. The purchase price of approximately $9.4 million included the acquisition of a fulfillment center located in Jacksonville, FL, inventory and certain other assets, as well as the assumption of certain related liabilities, including their seasonal line of credit of approximately $4.0 million. The acquisition was financed utilizing a combination of available cash generated from operations and through borrowings against the Company's revolving credit facility. The purchase price includes an up-front cash payment of $9.3 million, net of cash acquired, and the expected portion of "earn-out" incentives, which amount to a maximum of $1.6 million through the years ending July 2, 2012, upon achievement of specified performance targets. As of June 28, 2009, the Company does not expect that any of the specified performance targets will be achieved.

The following table summarizes the preliminary allocation of purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition of Napco:

	Napco Purchase Price Allocation
	(in thousands)
Current assets	$ 5,119
Property, plant and equipment	3,929
Intangible assets	397
Goodwill	—
Other	74
Total assets acquired	9,519
Current liabilities	162
Total liabilities assumed	162
Net assets acquired	$ 9,357

Acquisition of Geerlings & Wade

On March 25, 2009, the Company acquired selected assets of Geerlings & Wade, Inc., a retailer of wine and related products. The purchase price of approximately $2.6 million included the acquisition of inventory, and certain other assets (approximately $1.4 million of goodwill is deductible for tax purposes), as well as the assumption of certain related liabilities. The acquisition was financed utilizing available cash on hand.

The following table summarizes the preliminary allocation of purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition of Geerlings & Wade:

	Geerlings & Wade Purchase Price Allocation
	(in thousands)
Current assets	$ 990
Intangible assets	253
Goodwill	1,438
Total assets acquired	2,681
Current liabilities	77
Total liabilities assumed	77
Net assets acquired	$ 2,604

Acquisition of DesignPac Gifts LLC

On April 30, 2008, the Company acquired all of the membership interest in DesignPac Gifts LLC (DesignPac), a designer, assembler and distributor of gourmet gift baskets, gourmet food towers and gift sets, including a broad range of branded and private label components, based in Melrose Park, IL. The acquisition, for approximately $33.4 million in cash, net of cash acquired, was financed utilizing a combination of available cash generated from operations and through borrowings against the Company's revolving credit facility. The purchase price is subject to "earn-out" incentives which amount to a maximum of $2.0 million through the year ending June 27, 2010, upon achievement of specified performance targets. As of June 28, 2009, the Company does not expect that any of the specified performance targets will be achieved.

The following table summarizes the allocation of purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition of DesignPac:

	DesignPac Purchase Price Allocation
	(in thousands)
Current assets	$ 1,287
Property, plant and equipment	1,172
Intangible assets	18,753
Goodwill	12,332
Other	82
Total assets acquired	33,626
Current liabilities	184
Total liabilities assumed	184
Net assets acquired	$33,442

Of the $18.8 million of acquired intangible assets related to the DesignPac acquisition, $6.7 million was assigned to trademarks that are not subject to amortiza-

tion, while the remaining acquired intangibles of $12.2 million were allocated primarily to customer related intangibles which are being amortized over the assets' estimated useful life of 10 years. Approximately $12.3 million of goodwill is deductible for tax purposes. As described further in Note 6, during the year ended June 28, 2009, the Company recorded an impairment charge of $85.4 million for the write-down of goodwill and intangibles associated with its Gourmet Food and Gift Basket category to which DesignPac is categorized.

Pro forma Results of Operation

The following unaudited pro forma consolidated financial information has been prepared as if the acquisitions of DesignPac, Napco and Geerlings & Wade had taken place at the beginning of fiscal year 2007. The following unaudited pro forma information is not necessarily indicative of the results of operations in future periods or results that would have been achieved had the acquisitions taken place at the beginning of the periods presented.

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands, except per share data)		
Net revenues from continuing operations	**$718,419**	$814,373	$803,313
Operating income (loss) from continuing operations	**$ (71,838)**	$ 48,670	$ 48,227
Net income (loss) from continuing operations	**$ (65,913)**	$ 26,481	$ 26,957
Net income (loss)	**$ (97,829)**	$ 25,506	$ 20,094
Net income (loss) per common share from continuing operations			
Basic	**$ (1.04)**	$ 0.42	$ 0.38
Diluted	**$ (1.04)**	$ 0.40	$ 0.37
Net income (loss) per common share			
Basic	**$ (1.54)**	$ 0.40	$ 0.32
Diluted	**$ (1.54)**	$ 0.39	$ 0.31

Note 5. Inventory

The Company's inventory, stated at cost, which is not in excess of market, includes purchased and manufactured finish goods for resale, packaging supplies, raw material ingredients for manufactured products and associated manufacturing labor, and is classified as follows:

	Years Ended	
	June 28, 2009	June 29, 2008
	(in thousands)	
Finished goods	**$23,759**	$20,819
Work-in-process	**16,619**	14,583
Raw materials	**5,476**	3,442
	$45,854	$38,844

Note 6. Goodwill and Intangible Assets

The change in the net carrying amount of goodwill is as follows:

	1-800-Flowers.com Consumer Floral	BloomNet Wire Service	Gourmet Food and Gift Baskets	Total
Balance at July 1, 2007	$ 6,352	$ —	$ 87,279	$ 93,631
Acquisition of DesignPac Gifts	—	—	12,085	12,085
Other	(187)	—	370	183
Balance at June 29, 2008	6,165	—	99,734	105,899
Acquisition of Geerlings & Wade	—	—	1,438	1,438
Goodwill impairment	—	—	(65,644)	(65,644)
Other	(437)	—	(51)	(488)
Balance at June 28, 2009	**$ 5,728**	**$ —**	**$ 35,477**	**$ 41,205**

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The carrying value of the Company's goodwill was allocated to its reporting units pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets." In accordance with SFAS No. 142, goodwill and other indefinite lived intangibles are subject to an assessment for impairment, which must be performed annually, or more frequently if events or circumstances indicate that goodwill or other indefinite lived intangibles might be impaired. Goodwill impairment testing involves a two-step process. Step 1 compares the fair value of the Company's reporting units to their carrying values. If the fair value of the reporting unit exceeds its carrying value, no further analysis is necessary. If the carrying amount of the reporting unit exceeds its fair value, Step 2 must be completed to quantify the amount of impairment. Step 2 calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit, from the fair value of the reporting unit as determined in Step 1. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss, equal to the difference, is recognized.

During the year ended June 28, 2009 the Gourmet Food & Gift Basket segment experienced declines in revenue and operating performance when compared to prior years and their strategic outlook. The Company believes that this weak performance was attributable to reduced consumer spending due to the overall weakness in the economy. Based upon the expectation of a continuation of the current economic downturn, supported by lower order quantities received for the upcoming holiday season by certain wholesale customers, coupled with a decline of the Company's market capitalization and contraction of public company multiples, the Company recorded a goodwill and intangible impairment charges of $85.4 million during the year ended June 28, 2009. Of the total impairment charge, approximately $65.6 million was related to goodwill and $19.8 million was related to intangibles.

Fair value was determined by using a combination of a market-based and an income-based approach, weighting both approaches equally. Under the market-based approach, the Company utilized information regarding the Company as well as publicly available industry information to determine earnings and revenue multiples that are used to value the Company's reporting units. Under the income-based approach, the Company determined fair value based upon estimated future cash flows of the reporting unit, discounted by an estimated weighted-average cost of capital, which reflected the overall level of inherent risk of the reporting unit and the rate of return that an outside investor would expect to earn. The Company reconciled the value of its reporting units to its current market capitalization (based upon the Company's stock price) to determine that its assumptions were consistent with that of an outside investor.

The Company's other intangible assets consist of the following:

		June 28, 2009			June 29, 2008		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
				(in thousands)			
Intangible assets with determinable lives:							
Investment in licenses	**14-16 years**	**$ 5,314**	**$ 4,823**	**$ 491**	$ 4,927	$ 4,408	$ 519
Customer lists	**3-10 years**	**15,695**	**4,673**	**11,022**	24,910	5,690	19,220
Other	**5-8 years**	**2,388**	**960**	**1,428**	2,376	551	1,825
		27,397	**10,456**	**12,941**	32,213	10,649	21,564
Trademarks with indefinite lives	**—**	**29,881**	**—**	**29,881**	43,857	—	43,857
Total intangible assets		**$57,278**	**$10,456**	**$42,822**	$76,070	$10,649	$65,421

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. As part of the aforementioned impairment analysis performed for the Gourmet Food and Gift Basket segments, the Company recorded an impairment charge of $19.8 million related to the trade names and customer lists, which were determined to be impaired due to changes in the business environment and adverse economic conditions currently being experienced due to decreased consumer spending.

The amortization of intangible assets for the years ended June 28, 2009, June 29, 2008 and July 1, 2007 was $3.7 million, $2.8 million, and $2.3 million, respectively. Future estimated amortization expense is as follows: 2010 - $3.0 million, 2011 - $2.3 million, 2012 - $1.6 million, and 2013 - $1.5 million, and thereafter - $4.5 million.

Note 7. Property, Plant and Equipment

	June 28, 2009	June 29, 2008
	(in thousands)	
Land	**$ 2,907**	$ 1,850
Building and building improvements	**9,659**	7,069
Leasehold improvements	**15,039**	15,023
Furniture and fixtures	**3,965**	4,431
Equipment	**20,795**	19,189
Computer equipment	**55,541**	52,847
Telecommunication equipment	**8,536**	9,152
Software	**73,445**	62,281
	189,887	171,842
Accumulated depreciation and amortization	**135,117**	121,567
	$ 54,770	$ 50,275

Note 8. Long-Term Debt

	June 28, 2009	June 29, 2008
	(in thousands)	
Term loan and revolving credit line (1)	**$87,351**	$68,000
Revolving credit line (1)	**—**	—
Obligations under capital leases (2)	**5,504**	51
	92,855	68,051
Less current maturities of long-term debt and obligations under capital leases	**22,337**	12,801
	$70,518	$55,250

(1) In order to fund the increase in working capital requirements associated with DesignPac, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an

amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. The Amended 2008 Credit Facility, effective March 29, 2009, also revises certain financial and non-financial covenants, including maintenance of certain financial ratios and eliminates the consolidated net worth covenant that had been included in the previous agreement. Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment. The obligations of the Company and its subsidiaries under the Amended 2008 Credit Facility are secured by liens on all personal property of the Company and its subsidiaries.

As a result of the modifications of its credit agreements, during the quarter ended June 28, 2009, the Company wrote-off $3.2 million of financing costs associated with the term debt related to both the 2008 Credit Facility and the Amended 2008 Credit Facility.

(2) During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. Borrowings under the bank line are collateralized by the underlying equipment purchased, while the equipment lease line with the vendor is unsecured. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

As of June 28, 2009 long-term debt maturities, excluding amounts relating to capital leases (refer to Note 16. Commitments and Contingencies), are as follows:

Year	Debt Maturities
	(in thousands)
2010	$20,348
2011	23,842
2012	30,830
2013	9,865
2014	2,466
	$87,351

Note 9. Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, or FIN 48, on July 2, 2007. The Company did not have any significant unrecognized tax benefits and there was no material effect on its financial condition or results of operations as a result of implementing FIN 48.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is currently under examination by the Internal Revenue Service for its fiscal 2007 tax year, however, fiscal 2006 through fiscal 2008 remain subject to examination, with the exception of certain states where the statute remains open from fiscal 2004, due to non-conformity with the federal statute of limitations for assessment. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, the Company did not have any material accrued interest or penalties associated with any unrecognized tax benefits, nor was any material interest expense recognized during the year.

Significant components of the income tax provision from continuing operations are as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands)		
Current provision:			
Federal	**$ 1,254**	$ 3,008	$ (275)
State	**54**	1,751	2,136
	1,308	4,759	1,861
Deferred provision:			
Federal	**(15,089)**	8,558	11,746
State	**(1,545)**	(191)	1,148
	(16,634)	8,367	12,894
Income tax (benefit) expense	**$ (15,326)**	$ 13,126	$ 14,755

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate is as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**2.4**	3.5	7.1
Non-deductible stock-based compensation	**(0.2)**	0.1	1.4
Non-deductible goodwill amortization	**(17.7)**	0.3	0.3
Rate change	**(1.4)**	—	—
Tax credits	**(0.1)**	(0.7)	(0.3)
Tax settlements	**—**	(0.4)	(2.5)
Other, net	**0.7**	(0.5)	0.3
	18.7%	37.3%	41.3%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands)		
Deferred income tax assets:			
Net operating loss and credit carryforwards	**$ 4,031**	$ 3,483	$12,944
Accrued expenses and reserves	**12,142**	5,876	6,318
Stock-based compensation	**2,871**	3,407	2,529
Other intangibles	**8,370**	—	—
Deferred income tax liabilities:			
Other intangibles	**—**	(8,834)	(9,112)
Tax in excess of book depreciation	**(3,023)**	(1,482)	(1,649)
Net deferred income tax assets	**$24,391**	$ 2,450	$11,030

At June 28, 2009, the Company's federal net operating loss carryforwards were approximately $4.2 million, which if not utilized, will begin to expire in fiscal year 2025.

Note 10. Capital Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

On January 21, 2008, the Company's Board of Directors authorized an increase to its stock repurchase plan which, when added to the $8.7 million remaining on its earlier authorization, increased the amount available for repurchase to $15.0 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. As of June 28, 2009, $13.2 remains authorized but unused.

Under this program, as of June 28, 2009, the Company had repurchased 2,058,685 shares of common stock for $13.1 million, of which $0.8 million (397,899 shares), $1.1 million (133,609 shares) and $0.2 million (24,627 shares) were repurchased during the fiscal years ending June 28, 2009, June 29, 2008 and July, 1 2007, respectively. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares from an affiliate. The purchase price was $15,689,000 or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and was in addition to the Company's existing stock repurchase authorization.

Note 11. Stock Based Compensation

The Company has stock options and restricted stock awards outstanding to participants under the 1-800-FLOWERS.COM 2003 Long Term Incentive and Share Award Plan (the "Plan"). Options are also outstanding under the Company's 1999 Stock Incentive Plan, but no further options may be granted under this plan. The Plan is a broad-based, long-term incentive program that is intended to attract, retain and motivate employees, consultants and directors to achieve the Company's long-term growth and profitability objectives, and therefore align stockholder and employee interests. The Plan provides for the grant to eligible employees, consultants and directors of stock options, share appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units, dividend equivalents, and other share-based awards (collectively "Awards").

The Plan is administered by the Compensation Committee or such other Board committee (or the entire Board) as may be designated by the Board (the "Committee"). Unless otherwise determined by the Board, the Committee will consist of two or more members of the Board who are non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee will determine which eligible employees, consultants and directors receive awards, the types of awards to be received and the terms and conditions thereof. The Chief Executive Officer shall have the power and authority to make Awards under the Plan to employees and consultants not subject to Section 16 of the Exchange Act, subject to limitations imposed by the Committee.

At June 28, 2009, the Company has reserved approximately 12.6 million shares of common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

The amounts of stock-based compensation expense recognized in the periods presented are as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands, except per share data)		
Stock options	**$1,383**	$1,416	$2,736
Restricted stock awards	**341**	2,118	1,864
Total	**1,724**	3,534	4,600
Deferred income tax benefit	**444**	1,333	1,353
Stock-based compensation expense, net	**$1,280**	$2,201	$3,247

Stock based compensation expense is recorded within the following line items of operating expenses:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands)		
Marketing and sales	**$ 465**	$1,051	$1,605
Technology and development	**583**	546	690
General and administrative	**676**	1,937	2,305
Total	**$1,724**	$3,534	$4,600

Stock-based compensation expense has not been allocated between business segments, but is reflected in Corporate. (Refer to Note 14 – Business Segments.)

Stock Options Plans

The weighted average fair value of stock options on the date of grant, and the assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model, were as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
Weighted average fair value of options granted	**$1.83**	$4.36	$3.29
Expected volatility	**56%**	45%	46%
Expected life (in years)	**5.8**	5.3	5.3
Risk-free interest rate	**2.2%**	4.1%	4.6%
Expected dividend yield	**0.0%**	0.0%	0.0%

The expected volatility of the option is determined using historical volatilities based on historical stock prices. The Company estimated the expected life of options granted based upon the historical weighted average. The risk-free interest rate is determined using the yield available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the option. The Company has never paid a dividend, and as such the dividend yield is 0.0%.

The following table summarizes stock option activity during the year ended June 28, 2009:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding – beginning of period	7,872,344	$8.47		
Granted	1,695,868	$3.54		
Exercised	(24,843)	$4.60		
Forfeited/Expired	(626,697)	$8.84		
Outstanding – end of period	8,916,672	$7.52	3.9 years	$ —
Options vested or expected to vest at end of period	8,619,968	$8.49	3.7 years	$ —
Exercisable at end of period	6,714,378	$8.63	2.8 years	$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the company's closing stock price on the last trading day of fiscal 2009 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 28, 2009. This amount changes based on the fair market value of the company's stock. The total intrinsic value of options exercised for the years ended June 28, 2009, June 29, 2008 and July 1, 2007 was $0.0 million, $5.9 million, and $1.0 million, respectively.

The following table summarizes information about stock options outstanding at June 28, 2009:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 2.44 - 3.65	2,377,248	4.9 years	$ 3.29	982,380	$ 3.63
$ 4.50 - 6.42	2,105,224	2.8 years	$ 5.68	1,991,724	$ 5.70
$ 6.45 - 8.16	1,833,200	5.7 years	$ 6.91	1,283,700	$ 6.90
$ 8.21 - 12.87	2,077,504	3.1 years	$11.51	1,933,078	$11.69
$ 13.05 - 21.00	523,496	0.2 years	$20.34	523,496	$20.34
	8,916,672	3.9 years	$ 7.52	6,714,378	$ 8.49

As of June 28, 2009, the total future compensation cost related to nonvested options not yet recognized in the statement of operations was $3.5 million and the weighted average period over which these awards are expected to be recognized was 2.7 years.

The Company grants shares of Common Stock to its employees that are subject to restrictions on transfer and risk of forfeiture until fulfillment of applicable service conditions and, in certain cases, holding periods (Restricted Stock).

The following table summarizes the activity of non-vested restricted stock during the year ended June 28, 2009:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	1,275,153	$ 7.58
Granted	1,593,319	$ 3.43
Vested	(337,320)	$ 3.34
Forfeited	(830,240)	$ 7.41
Non-vested – end of period	1,700,912	$ 4.62

The fair value of nonvested shares is determined based on the closing stock price on the grant date. As of June 28,

2009, there was $4.3 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.2 years.

Note 12. Profit Sharing Plan

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All full-time employees who have attained the age of 21 are eligible to participate upon completion of one year of service. Participants may elect to make voluntary contributions to the 401(k) plan in amounts not exceeding federal guidelines. On an annual basis the Company, as determined by its board of directors, may make certain discretionary contributions. Employees are vested in the Company's contributions based upon years of service. The Company made contributions of $1.1 million, $0.7 million, and $0.5 million, for the years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively.

During fiscal 2008, the Company adopted a nonqualified supplemental deferred compensation plan for certain executives pursuant to Section 409A of the Internal Revenue Code. Participants can defer from 1% up to a maximum of 100% of salary and performance and non-performance based bonus. The Company will match 50% of the deferrals made by each participant during the applicable period, up to a maximum of $2,500. Employees are vested in the Company's contributions based upon years of participation in the plan. Distributions will be made to Participants upon termination of employment or death in a lump sum, unless installments are selected. Company contributions during the years ended June 28, 2009 and June 29, 2008 were less than $0.1 million.

Note 13. Restructuring

During the third and fourth quarters of fiscal 2009 the Company implemented expense reduction initiatives in order to reduce its cost structure. The initiatives primarily involved the termination of employees and facility site consolidation and closures. The Company recorded restructuring charges of $2.5 million, which are included within the following line items of the Company's consolidated statement of operations: cost of revenues ($0.2 million), marketing and sales ($1.7 million), technology and development ($0.4 million) and general and administrative ($0.2 million). Approximately $1.0 million of severance costs associated with the fourth quarter restructuring is included within accounts payable and accrued expenses and is expected to be paid out during the first quarter of fiscal 2010.

Note 14. Business Segments

The Company's management reviews the results of the Company's operations by the following three business categories:

- 1-800-Flowers.com Consumer Floral;
- BloomNet Wire Service; and
- Gourmet Food and Gift Baskets; and

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment, which includes Home Decor and Children's Gifts from Plow & Hearth®, Wind & Weather®, HearthSong® and Magic Cabin®, as discontinued operations for all periods presented.

Category performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the categories. As such, management's measure of profitability for these categories does not include the effect of corporate overhead (see * below), which are operated under a centralized management platform, providing services throughout the organization, nor does it include stock-based compensation, depreciation and amortization, other income (net), and income taxes. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by category.

Net Revenues

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
		(in thousands)	
Net revenues:			
1-800-Flowers.com Consumer Floral	**$414,897**	$491,696	$491,404
BloomNet Wire Service	**63,933**	53,488	44,379
Gourmet Food & Gift Baskets	**240,200**	196,298	192,698
Corporate (*)	**1,119**	2,431	1,652
Intercompany eliminations	**(6,199)**	(4,702)	(4,483)
Total net revenues	**$713,950**	$739,211	$725,650

Operating Income

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
		(in thousands)	
Category Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$ 40,882**	$ 62,967	$ 65,166
BloomNet Wire Service	**19,093**	18,509	14,162
Gourmet Food & Gift Baskets	**23,433**	24,593	26,377
Category Contribution Margin Subtotal	**83,408**	106,069	105,705
Corporate (*)	**(49,492)**	(48,923)	(48,483)
Depreciation and amortization	**(21,010)**	(17,822)	(15,353)
Goodwill and intangible impairment	**(85,438)**	—	—
Operating income (loss)	**$ (72,532)**	$ 39,324	$ 41,869

(*) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among others, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center which are allocated directly to the above categories based upon usage, are included within corporate expenses, as they are not directly allocable to a specific category.

Note 15. Discontinued Operations

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	June 28, 2009	June 29, 2008	July 1, 2007
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$143,786**	$180,181	$186,948
Operating income (loss) from discontinued operations (1)	**$ (4,996)**	$ (1,785)	$ (6,727)
Impairment of discontinued operations (2)	**$ (34,758)**	—	—
Income tax expense (benefit) from discontinued operations	**$ (7,838)**	$ (810)	$ (2,864)
Income (loss) from discontinued operations	**$ (31,916)**	$ (975)	$ (3,863)

(1) Operating income (loss) from discontinued operations during the year ended June 28, 2009 includes approximately $0.4 million of restructuring costs associated with the Company's cost reduction initiatives implemented during the third quarter. Refer to Note 13. Restructuring Charges.

(2) During the three months ended December 28, 2008, the Home and Children's Gift segment experienced significant declines in revenue and operating performance when compared to prior years and their strategic outlook. The Company believes that this weak performance was attributable to reduced consumer spending due to the overall weakness in the economy, and in particular, as a result of the continued decline in demand for home décor products. As a result of these factors, as well as the Company's plans to resize this category based on the expectation of continued weakness in the home décor retail sector, upon completion of the impairment analysis described above, the goodwill and intangibles related to this reporting unit was deemed to be fully impaired. Therefore, during the three months ended December 28, 2008, the Company recorded a goodwill and intangible impairment charge of $20.0 million related to this business segment. In the fourth quarter ended June 28, 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment. Consequently, the Company has classified the results of its Home & Children's Gifts segment as a discontinued operation, and recorded a charge of $14.7 million to write-down the assets of the discontinued business to management's estimate of their fair value.

	June 28, 2009	June 29, 2008
Assets of discontinued operations		
Receivables, net	**$ 692**	$ 972
Inventories	**15,511**	28,439
Prepaid and other	**1,940**	4,460
Current assets of discontinued operations	**18,143**	33,871
Property, plant and equipment, net	**8,861**	15,462
Goodwill	**—**	18,265
Other intangibles, net	**714**	2,507
Other assets	**—**	47
Non-current assets of discontined operations	**9,575**	36,281
Total assets of discontinued operations	**$ 27,718**	$ 70,152
Liabilities of discontinued operations		
Accounts payable and accrued expenses	**$ 3,811**	$ 5,433
Current maturities of long-term debt and obligations under capital leases	**—**	85
Current liabilities of discontinued operations	**3,811**	5,518
Non-current liabilities of discontinued operations	**157**	203
Total liabilities of discontinued operations	**$ 3,968**	$ 5,721

Note 16. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various operating leases through fiscal 2019. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Most lease agreements contain renewal options and rent escalation clauses and require the Company to pay real estate taxes, insurance, common area maintenance and operating expenses applicable to the leased properties. The Company has also entered into leases that are on a month-to-month basis. In addition, the Company has a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009. All leases and subleases with an initial term of greater than one year are accounted for under SFAS No. 13, *Accounting for Leases*. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of June 28, 2009 future minimum payments under non-cancelable capital lease obligations and operating leases with initial terms of one year or more consist of the following:

	Obligations Under Capital Leases	Operating Leases
	(in thousands)	
2010	2,264	$11,441
2011	2,264	10,233
2012	1,680	8,845
2013	7	7,942
2014	—	5,931
Thereafter	—	5,715
Total minimum lease payments	$6,215	$50,107
Less amounts representing interest	711	
Present value of net minimum lease payments	$5,504	

At June 28, 2009, the aggregate future sublease rental income under long-term operating sub-leases for land and buildings and corresponding rental expense under long-term operating leases were as follows:

	Sublease Income	Sublease Expense
	(in thousands)	
2010	$2,455	$2,455
2011	1,918	1,918
2012	1,488	1,488
2013	999	999
2014	470	470
Thereafter	392	392
	$7,722	$7,722

Rent expense was approximately $19.9 million, $17.1 million, and $16.1 million for the years ended June 28, 2009, June 29, 2008 and July 1, 2007, respectively.

Litigation

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries incident to the operations of its businesses. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such claims, lawsuits and pending actions will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Note 17. Subsequent Event

The Company has evaluated subsequent events through September 11, 2009, which is the date the Company filed its Annual Report on Form 10-K for fiscal 2009 with the Securities and Exchange Commission. With the exception of the item listed below, there are no further subsequent events for disclosure.

In July 2009 the Company entered into interest rate hedge contracts totaling $45.0 million to manage its exposure to changes in the fair value of debt due in fiscal 2010 through 2012. The effect of these hedges is to change the variable rate interest to a fixed rate.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
1-800-FLOWERS.COM, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries (the "Company") as of June 28, 2009 and June 29, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 28, 2009. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 consolidated financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at June 28, 2009 and June 29, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 28, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements the Company adopted FASB Statement No. 165, Subsequent Events, effective for annual periods ending after June 15, 2009. As discussed in Note 9 to the consolidated financial statements the Company adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," effective July 2, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 1-800-FLOWERS.COM, Inc. and Subsidiaries' internal control over financial reporting as of June 28, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 11, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Melville, New York
September 11, 2009

Management's Report on Internal Control Over Financial Reporting

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

• pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

• provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

• provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 28, 2009. In making this assessment, management used the criteria established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management believes that, as of June 28, 2009 the Company's internal control over financial reporting is effective.

The Company acquired Napco Marketing Corp. on July 21, 2008, and has excluded the acquired company from its assessment of and conclusion on the effectiveness of internal control over financial reporting. The acquired business constituted approximately 3% of total assets as of June 28, 2009, and less than two percent of net revenues for the fiscal year then ended.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued a report on the effectiveness of the Company's internal control over financial reporting, as of June 28, 2009; their report is included on the following page.

James F. McCann
Chief Executive Officer
Chairman of the Board of Directors
(Principal Executive Officer)

William E. Shea
Senior Vice President Finance and Administration
(Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
1-800-FLOWERS.COM, Inc. and Subsidiaries

The Board of Directors and Stockholders of 1-800-FLOWERS.COM, Inc. and Subsidiaries

We have audited 1-800-FLOWERS.COM, Inc. and Subsidiaries (the "Company") internal control over financial reporting as of June 28, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Napco Marketing Corp., which is included in the fiscal 2009 consolidated financial statements of the Company and constituted approximately 3% of total assets as of June 28, 2009 and 2% of net revenues for the fiscal year then ended.
Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Napco Marketing Corp.

In our opinion, 1-800-FLOWERS.COM, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 28, 2009, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 28, 2009 and June 29, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 28, 2009 and our report dated September 11, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Melville, New York
September 11, 2009

Market for Common Equity and Related Stockholder Matters

Market Information

1-800-FLOWERS.COM's Class A common stock trades on the NASDAQ Global Select Market under the ticker symbol "FLWS." There is no established public trading market for the Company's Class B common stock. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the fiscal years ended June 28, 2009 and June 29, 2008.

	High	Low
Year ended June 28, 2009		
June 30, 2008 – September 28, 2008	$ 7.26	$ 4.77
September 29, 2008 – December 28, 2008	$ 6.18	$ 2.50
December 29, 2008 – March 29, 2009	$ 4.18	$ 0.85
March 30, 2009 – June 28, 2009	$ 3.99	$ 1.80
Year ended June 29, 2008		
July 2, 2007 – September 30, 2007	$12.38	$ 8.47
October 1, 2007 – December 30, 2007	$13.42	$ 8.66
December 31, 2007 – March 30, 2008	$ 9.00	$ 6.35
March 31, 2008 – June 29, 2008	$ 9.26	$ 6.51

Rights of Common Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

Holders

As of September 4, 2009, there were approximately 273 stockholders of record of the Company's Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of September 4, 2009, there were approximately 20 stockholders of record of the Company's Class B common stock.

Dividend Policy

Although the Company has never declared or paid any cash dividends on its Class A or Class B common stock, the Company anticipates that it will generate increasing free cash flow in excess of its capital investment requirements. Although the Company has no current intent to do so, the Company may choose, at some future date, to use some portion of its cash for the purpose of cash dividends.

Resales of Securities

36,922,990 shares of Class A and Class B common stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market from time to time only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act. As of September 4, 2009, all of such shares of the Company's common stock could be sold in the public market pursuant to and subject to the limits set forth in Rule 144. Sales of a large number of these shares could have an adverse effect on the market price of the Company's Class A common stock by increasing the number of shares available on the public market.

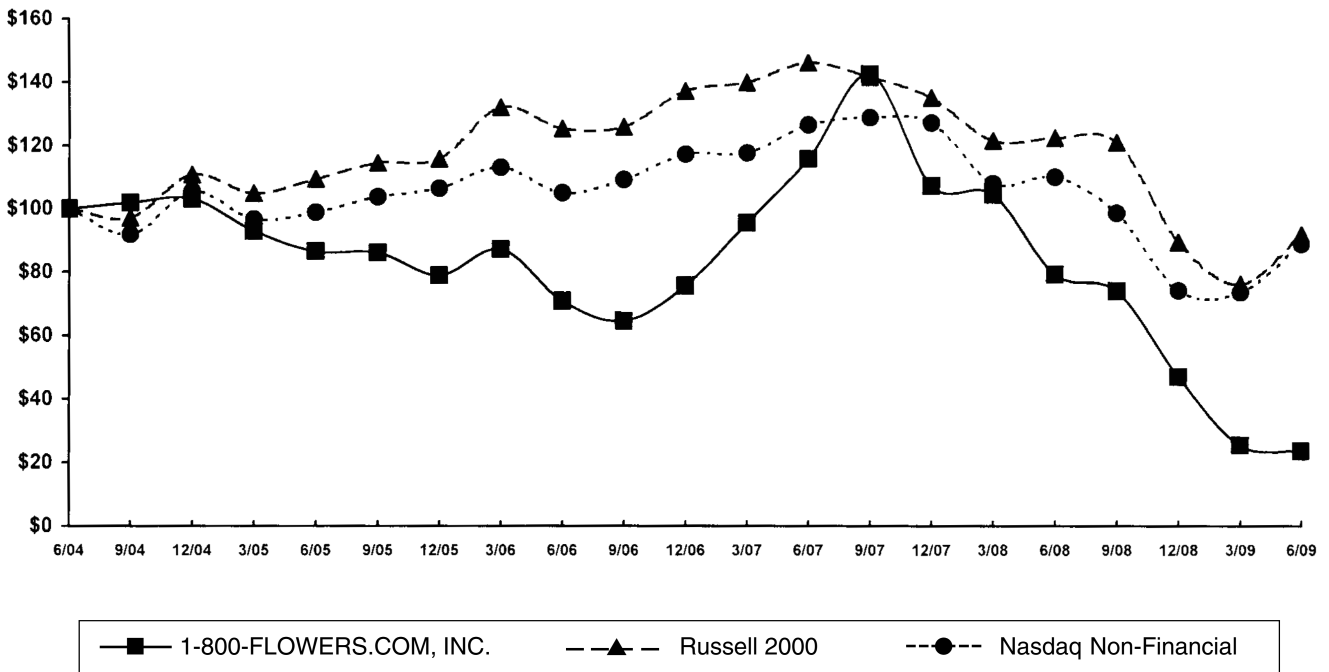
Purchases of Equity Securities by the Issuer

On January 21, 2008, the Company's Board of Directors authorized an increase to its stock repurchase plan which, when added to the $8.7 million remaining on its earlier authorization, increased the amount available for repurchase to $15.0 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. As of June 28, 2009, $13.2 million remains authorized but unused.

Under this program, as of June 28, 2009, the Company had repurchased 2,058,685 shares of common stock for $13.1 million, of which $0.8 million (397,899 shares), $1.1 million (133,609 shares) and $0.2 million (24,627 shares) were repurchased during the fiscal years ending June 28, 2009, June 29, 2008 and July 1, 2007, respectively. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares from an affiliate. The purchase price was $15,689,000 or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and was in addition to the Company's existing stock repurchase authorization.

*Comparison of 5 Year Cumulative Total Return**

Among 1-800-FLOWERS.COM, Inc., the Russell 2000 Index and the NASDAQ Non-Financial Index



*$100 invested on 6/30/04 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

1·800·FLOWERS.COM, INC.

One Old Country Road, Suite 500
Carle Place, NY 11514
(516) 237-6000

STOCK EXCHANGE LISTING
NASDAQ Global Select Market
Ticker Symbol: FLWS

TRANSFER AGENT AND REGISTRAR
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, New York 11219
(718) 921-8200

INDEPENDENT AUDITORS
Ernst & Young LLP
395 North Service Road
Melville, New York 11747
(631) 752-6100

SEC COUNSEL
Cahill Gordon and Reindel LLP
80 Pine Street
New York, NY 10005
(212) 701-3000

SHAREHOLDER INQUIRIES
Copies of the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and additional information about 1-800-FLOWERS.COM, Inc. may be obtained by visiting the Investor Relations section at www.1800flowersinc.com, by calling 516-237-6113, or by writing to:

Investor Relations
1-800-FLOWERS.COM, Inc.
One Old Country Road, Suite 500
Carle Place, NY 11514

Fannie May®

Cheryl&Co.

1·800·FLOWERS.COM, INC.

One Old Country Road, Suite 500, Carle Place, NY 11514
(516) 237-6000 • www.1800flowers.com