1·800·FLOWERS.COM, INC.

2011 Annual Report

DELIVERING SMILES

1·800·flowers.com · 1·800·baskets.com · Fannie May · winetasting.com · finestationery.com · bloomnet · celebrations · Harry London Chocolates · Cheryl's · The Popcorn Factory

About 1-800-FLOWERS.COM, Inc.

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 35 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. The 1-800-FLOWERS.COM Mobile Flower & Gift Center was named winner of the 2010 "Best Mobile App for E-commerce" by DPAC (Digiday's Publishing & Advertising Awards) and the 2010 Mobile App of the Year Award in the "Best Shopping" category by RIS (Retail Info Systems). 1-800-FLOWERS.COM was also rated number one versus competitors for customer service by STELLAService and named by the E-Tailing Group as one of only nine online retailers out of 100 benchmarked to meet the criteria for Excellence in Online Customer Service. 1-800-FLOWERS.COM has been honored in Internet Retailer's "Hot 100: America's Best Retail Web Sites" for 2011 and was one of only five retailers to receive the 2011 Customer Innovation Award from Avaya for transforming the business through innovative use of business communications and collaboration technologies. 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 "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's® (1-800-443-8124 or www.cheryls.com); premium chocolates and confections from Fannie May® confections brands (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); and wine gifts from Winetasting.com® (www.winetasting.com). The Company's Celebrations® brand (www.celebrations.com) is a leading online destination for fabulous party ideas and planning tips and FineStationery.com® (www.finestationery.com) is the premier site for unique, customizable invitations, announcements and greeting cards. 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 as well as various philanthropic and charitable efforts. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

100% SMILE GUARANTEE

The 1800Flowers.com® 100% Smile Guarantee℠

Everyone at 1-800-FLOWERS.COM is passionate about delivering flowers and gifts that bring smiles. If you OR the person who received your gift calls us with any sort of issue, it's a big deal to us. All of us. And we'll jump to make it right – no matter what, no questions asked. *We're happy when you're smiling.*

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's expectations or beliefs at the time of this writing concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," "target" or similar words or phrases. Forward-looking statements include, but are not limited to, statements regarding the Company's ability to build on positive trends in its business, its ability to leverage its multi-brand website to enhance cross brand marketing efforts, its ability to achieve its guidance for consolidated revenue growth for the full year in the low-to-mid-single digit range and its guidance for bottom-line growth in EBITDA, EPS and Free Cash Flow at rates in excess of its anticipated revenue growth. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to manage the seasonality of its businesses; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments; and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q.

Financial Highlights[1]

(From Continuing Operations)

	Years Ended				
	JULY 3, 2011	**JUNE 27, 2010**	**JUNE 28, 2009**	**JUNE 29, 2008**	**JULY 1, 2007**
	(in millions, except percentages and per share data)				
Total Net Revenues	$689.8	$667.7	$714.0	$739.2	$725.7
Gross Profit Margin	40.6%	39.8%	39.4%	42.2%	42.2%
Operating Expense Ratio[2]	35.7%	36.1%	34.6%	34.4%	34.4%
EBITDA	$ 34.1	$ 24.8	($ 51.5)	$ 57.1	$ 57.2
Adjusted EBITDA	$ 34.1	$ 28.6[3]	$ 36.4[3]	$ 57.1	$ 57.2
EPS	$ 0.09	($ 0.03)	($ 1.05)	$ 0.34	$ 0.32
Adjusted EPS	$ 00.9	$ 0.01[3]	$ 0.11[3]	$ 0.34	$ 0.32

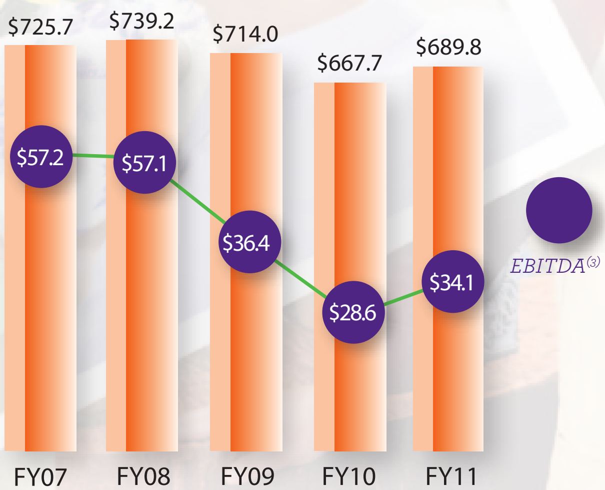
(1) During fiscal 2009, the Company made the strategic decision to divest its Home and Children's Gifts business segment. The Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented. Also, the Company's fiscal 2009 results 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.

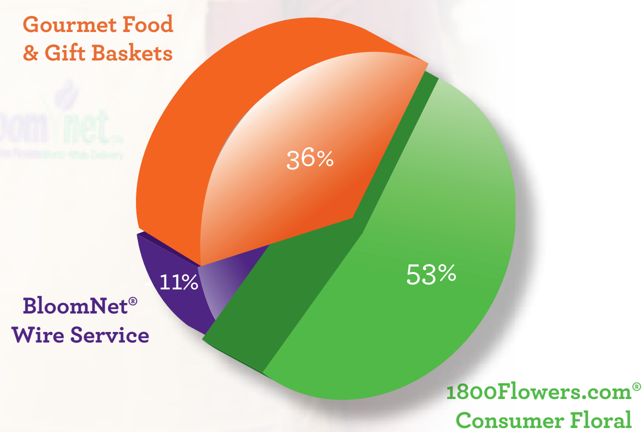
(3) Fiscal 2010 and 2009 EBITDA and EPS are adjusted for non-recurring charges which impact comparability. Refer to the Company's 10-K filing for reconciliations of net income (loss) from continuing operations to adjusted EBITDA from continuing operations.

Total Revenues

(From Continuing Operations[1])
(in millions)



2011 % 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

Fiscal 2011 Achievements

- Increased total revenue to $689.8 million with all three business segments recording growth.
- Increased revenue, gross margin and contribution margin in core Consumer Floral segment.
- Increased EBITDA to $34.1 million, up 37.5 percent.
- Increased EPS to $0.09 compared with a loss per share of $0.03 in the prior year period.

To Our Shareholders

Fiscal 2011 proved to be a very strong year for our company, one in which we significantly enhanced our top and bottom-line results in a challenging overall economy. At the start of the year, we noted that we did not expect the consumer economy to show significant improvement. As such, we continued to focus on managing those aspects of our business that we could control including: our marketing programs, our merchandising plans, our operating processes, and our balance sheet.

As a result of our initiatives in these areas we achieved solid improvements in revenue, gross margin and operating expense ratio throughout fiscal 2011 culminating in strong full year results. During the year,

- We grew revenues with more efficient marketing spending;
- We increased average order value with effective merchandising programs;
- We increased gross margins through enhanced operational efficiencies and disciplined promotions; and
- We reduced our operating expense ratio by continuing to leverage our business platform.

Consumer Floral Rebound

In our core 1-800-FLOWERS.COM consumer floral business we achieved year-over-year improvements in both top and bottom-line metrics through the successful implementation of enhanced marketing and merchandising programs. Throughout the year we saw progressive positive trends in both average order value and gross margin. As a result, our consumer floral segment returned to year-over-year revenue growth in our third quarter, one quarter earlier than expected. Combined with strong fourth quarter results, the category achieved positive year-over-year revenue growth for the full year. Gross margin increased a total of 270 basis points, returning to the category's historical level of 38 percent for the full year.

As a result, category contribution margin increased 47.6 percent, or more than $10 million, to $32.7 million for the year.

Delivering Smiles

These results were accomplished through a combination of initiatives:

- In Merchandising, we saw our customers embrace our truly original products, such as our new line of "A-Dog-Able" floral baskets – a collection of irresistibly cute floral puppies that is already a major hit. We also launched our "new and improved" Happy Hour collection to enthusiastic customer response.
- In our Marketing programs, we made more efficient use of promotions and repositioned our marketing messaging to emphasize our florist heritage. We reminded our customers to "Wow" their loved ones and send "Only the Best!" for Valentine's Day, for Mother's Day and for every day occasions.
- We also improved the effectiveness and efficiency of our marketing programs by focusing on our core "Delivering Smiles" message and expanding on our industry leading position in Social and Mobile marketing. In this area, we launched innovative programs that partnered the 1-800-FLOWERS.COM brand with Facebook, Twitter, Google+ and hundreds of influential bloggers. As a result, we were able to significantly enhance the relevance of our marketing efforts and reach our customers at the right time, with the right products to help them deliver smiles.

Combined Growth: Effective Cross-Brand Marketing

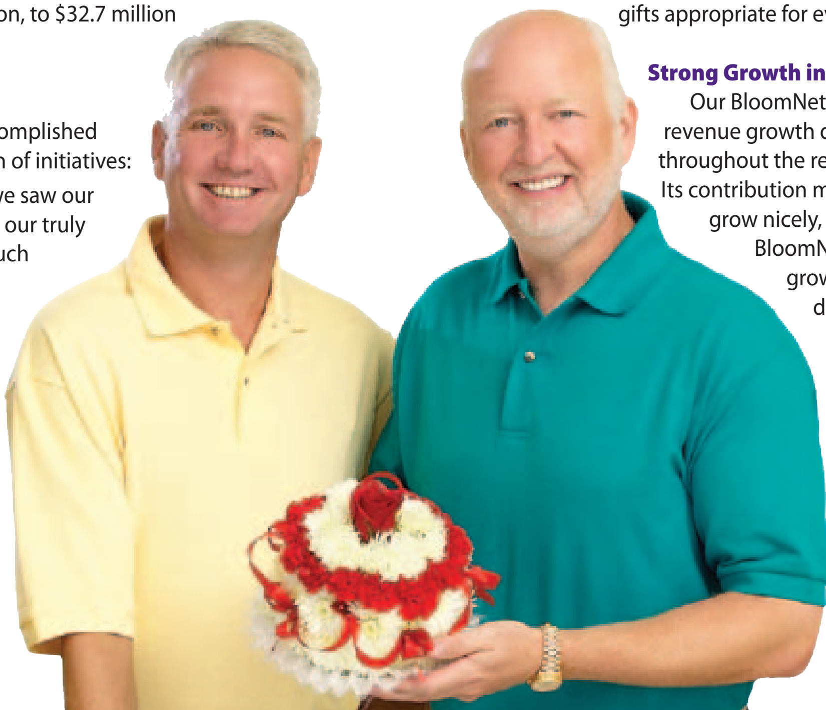
On the subject of growth, we believe it is also important to look at the combined performance of our 1-800-FLOWERS.COM and 1-800-Baskets.com brands. The consistently strong growth of 1-800-Baskets.com has been driven by our strategy of leveraging the significant web traffic and multi-million customer base of our flagship 1-800-FLOWERS.COM brand through a dual-branded website. Throughout fiscal 2011, we achieved solid revenue growth for the combined 1-800-Baskets and 1-800-Flowers.com brands. In addition, we saw a growing number of customers coming directly to the 1-800-Baskets.com website. This increasing customer traffic positions 1-800-Baskets.com uniquely in the gourmet gift space as an every-day gifting destination with the ability to grow its business year-round.

Based on the success of 1-800-Baskets.com, we launched our new multi-brand website in early fiscal 2012. The new site includes tabs for our Fannie May, Cheryl's and The Popcorn Factory brands, effectively introducing our customers to an expanded offering of gifts appropriate for every occasion and recipient.

Strong Growth in BloomNet

Our BloomNet business showed strong revenue growth during fiscal 2011, as it has throughout the recent recessionary period. Its contribution margin also continued to grow nicely, exceeding $20 million. BloomNet's consistently strong growth and profitability, despite the economy, is truly exceptional and reflects the investments we have made in our expanded suite of products and services.

We've also continued to invest in developing educational and "community building"



programs with our Floriology Institute training center in Jacksonville, Florida and Floriology Magazine, thereby filling a void in the floral industry.

As a result of these efforts, BloomNet has consistently increased its market penetration as a leader in the wire service industry as evidenced by the substantial increases in shop-to-shop order volume during fiscal 2011. These orders, combined with the millions of orders generated by 1-800-FLOWERS.COM, enable us to provide our 1-800-Flowers franchise and BloomNet florists with an increasing flow of orders to help make their businesses grow.

Gourmet Food and Gift Baskets: Becoming a Leader

During fiscal 2011, we continued to see strong returns on the investments we have made over the past several years, both in the brands that we have acquired and those we have launched internally. Specifically, our focus on multi-channel retailing – with an emphasis on ecommerce – coupled with our decision to be vertically integrated where appropriate, is enabling us to fast become a leading player in this $16 billion gifting category.

So-Lo-Mo

Social-Local-Mobile: It's the new business paradigm encompassing the fast evolving world of social networking, a growing interest and emphasis on local business presence and all things mobile, from smart phones to iPads. In fiscal 2011, we became a recognized leader in social commerce though pioneering applications that integrated Facebook, Twitter, Google+ and hundreds of bloggers in our marketing programs. We expanded our local retail presence via new franchising initiatives in 1-800-FLOWERS® and Fannie May® Fine Chocolates. And we continued to refine our award winning Mobile commerce platform, garnering additional accolades as the #1 mobile commerce site for 2011. The consumer has voted, and So-Lo-Mo is an integral part of our lives and therefore an indispensable part of how we integrate and develop the relationships between our brands, our culture and our customers.

Revenue growth was particularly strong in our 1-800-Baskets.com and Cheryl's bakery gifts businesses along with solid ecommerce and same-store growth in our Fannie May Chocolates business. We also made significant strides in the roll out of our Fannie May franchise program with several multi-store development agreements expected to launch in fiscal 2012. This program leverages Fannie May's tremendous customer loyalty, brand recognition and history of operation throughout the Midwest. Fannie May once had more than 250 retail locations stretching from North Dakota to Florida. The data we have on those stores provides an excellent blueprint for our franchise expansion plans.

For the year, contribution margin in this category improved nicely, reaching nearly $29 million. This was achieved despite continued soft demand in wholesale baskets and having to absorb higher commodity costs and shipping fuel-surcharges throughout the year.

Strengthening Our Balance Sheet:

During the past several years we have paid down more than $80 million in term debt, including approximately $16 million during fiscal 2011. At year end, we had approximately $46 million remaining in term debt and approximately $21 million in cash and investments resulting in a net-debt position of approximately $25 million. We anticipate finishing fiscal 2012 with a net-debt balance nearing zero after scheduled debt payments of approximately $16 million and anticipated positive cash generation during the year. We believe our focus on maintaining and enhancing our financial strength and flexibility enables us to invest in growing our business through both internal and external initiatives.

Fiscal 2012 Guidance

Reflecting the continued uncertainty in the overall economy, we do not anticipate significant improvements in consumer demand for discretionary purchases during fiscal 2012. As a result, we will continue to focus on the specific areas of our business where we believe we can exert control and achieve enhanced results. These include:

- our operating cost structure,
- our merchandising and marketing initiatives – emphasizing truly original product designs and product line extensions,
- our marketing programs that provide improved return on investment by engaging directly with our customers to deepen our relationship with them,
- our manufacturing and sourcing enhancements designed to help mitigate commodity and shipping price increases and deliver increased gross profit margins, and,
- our continuing investments for the future, particularly in:
  - our Social and Mobile marketing and commerce initiatives,
  - our fast growing 1-800-Baskets.com business,
  - our Celebrations.com content and media business,
  - our new product launches, such as Fruit Bouquets.com,
  - our "Agile" technology platform enhancements, and
  - our initiatives to expand our local presence via franchising.

We believe these efforts will enable us to achieve consolidated revenue growth for the full year in the low-to-mid-single digits range. In terms of our bottom-line results, we expect to grow EBITDA, EPS and Free Cash Flow at rates in excess of revenue growth.

Looking ahead, we plan to build on the positive trends that we saw throughout fiscal 2011. We are focused on seeking cost efficient ways to stimulate consumer demand across all of our brands and businesses, on improving gross profit margins, and on managing our operating costs by leveraging our business platform.

As always, we thank all of our constituencies for their support and hard work, including: our caring and dedicated associates; our creative and talented franchisees and BloomNet professional florists; our vendors and suppliers and, most of all, our customers who engage with us every day and allow us to help them deliver smiles.

Jim

Jim McCann
Chairman and CEO

Chris

Chris McCann
President

January
2012

During fiscal 2011, 1-800-FLOWERS.COM® continued to focus on creating truly original product designs. Among these are many uniquely stunning floral arrangements, each crafted to deliver a smile. In the Company's gourmet food gift category, the Cheryl's® line of baked goods was expanded with the addition of Mrs. Beasley's®, a beloved brand known for its delectable bundt cakes and its Miss Grace Lemon Cake, Co.®, cakes and baskets. The Popcorn Factory® widened its offering as well, adding several new "Snack-Attack" graphic tins to join the brand's highly popular assortment of tins featuring NFL and college team logos. 1-800-Baskets.com® also introduced many new designs in the past year, including a collection of spa baskets, while Wintasting.com® added a wide range of varietals including a growing number of new selections in its "extreme cabernet offerings" from Napa Valley.

Sunday	Monday	Tuesday
1 *New Year's Day*	2	3
8	9	10
15	16 *Martin Luther King Jr.'s Birthday (observed)*	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

February
2012

In fiscal 2011, BloomNet® further solidified its position as the floral industry's preferred wire service provider and one-stop destination for top quality products and best-in-class services. Thousands of professional retail florists look to BloomNet for innovative ways to grow their businesses profitably. Among the advantages BloomNet brings to florists is a leading edge technology suite – including the industry's first digital directory, a state of the art business management system and feature-rich website hosting solutions. BloomNet has also introduced a comprehensive Quality Care Program developed with extensive input from florists all over the country. The Program has established and maintains quality standards and guidelines with the goal of 100% customer satisfaction for all florist-to-florist transactions, helping to ensure customer loyalty and generate repeat business for florists.

Sunday	Monday	Tuesday
5	6	7
12	13	14 Valentine's Day
19	20 Presidents' Day	21
26	27	28

Wednesday	Thursday	Friday	Saturday
1	2 *Groundhog Day*	3	4
8	9	10	11
15	16	17	18
22	23	24	25
29			

March 2012

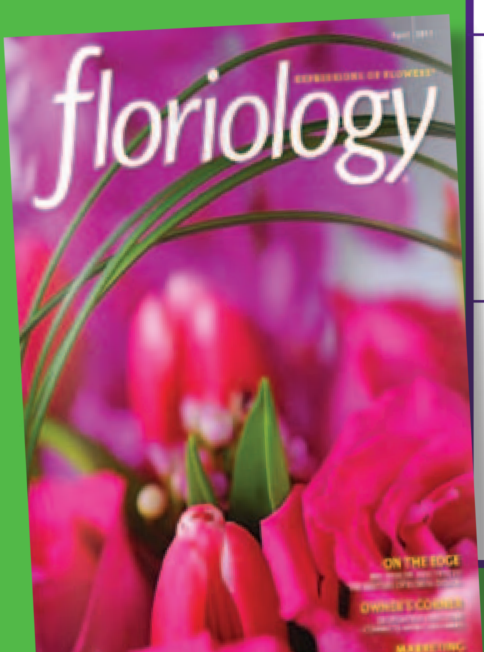
Sunday	Monday	Tuesday
4	5	6
11	12	13
18	19	20 *First Day of Spring*
25	26	27

1-800-FLOWERS.COM® became the largest franchise organization in the floral industry during fiscal 2011...building on its roots and "Embracing Our Floristness[SM]" to deliver smiles to more and more customers on a local level. An increasing number of florists across the country have made the decision to co-brand – joining their local market knowledge and customer relationships with 1-800-FLOWERS' industry's leading brand recognition and millions of customers. The franchise initiative was further augmented at the start of fiscal 2012 with the acquisition of Flowerama of America, Inc., an Iowa-based franchise with nearly 80 flower and garden centers.

Wednesday	Thursday	Friday	Saturday
	1	2	3
7	8	9	10
14	15	16	17 *St. Patrick's Day*
21	22	23	24
28	29	30	31

April
2012

In fiscal 2011, the BloomNet® wire service became one of the floral industry's largest order sending networks. Helping to fuel its growth is BloomNet's commitment to deepening relationships with retail florists around the country. Instrumental in this effort has been the popularity of floriology®, an informative monthly magazine introduced by BloomNet two years ago. Florists are encouraged to contribute their insights to the publication, reinvigorating a sense of community and a sharing of ideas that were once hallmarks of the floral marketplace. Complementing the magazine is the Floriology Institute, established by BloomNet in Jacksonville, Florida as the premier industry accredited floral education center. The Institute offers courses specifically created to help florists expand artistic design skills, stay on top of trends and enhance best business practices.



Sunday	Monday	Tuesday
1 April Fools Day	2	3
8 Easter	9	10
15	16	17
22	23 Administrative Professionals' Week Begins	24
29	30	

Wednesday	Thursday	Friday	Saturday
4	5	6 *Passover Begins at Sunset*	7
11	12	13	14
18	19	20	21
25 *Administrative Professionals' Day*	26	27	28

May 2012

Sunday	Monday	Tuesday
		1
6	7	8
13 *Mother's Day*	14	15
20	21	22
27	28 *Memorial Day (observed)*	29

1-800-FLOWERS.COM® broadened its local footprint during fiscal 2011 in both the floral and gourmet food gift categories. Illustrating the latter was expansion of the Fannie May® franchising program. Founded by H. Teller Archibald in 1920, Fannie May is an iconic brand that has grown from a single retail store on Chicago's North LaSalle Street to become a maker of gourmet chocolates and other fine confections enjoyed by millions. Through its growing number of franchised and company-owned stores located in neighborhoods and shopping malls, Fannie May is significantly expanding its brand awareness, increasing its customer base and its share of the multi-billion dollar chocolate confections market.

Wednesday	Thursday	Friday	Saturday
2	3	4 *National Bring Your Mom to Work Day*	5 *Cinco de Mayo*
9	10	11	12
16	17	18	19
23	24	25	26
30	31		

June 2012

Sunday	Monday	Tuesday
3	4	5
10	11	12
17 Father's Day	18	19
24	25	26

Social networks including Facebook, Twitter and Google+ are an indispensable part of how 1-800-FLOWERS.COM® integrates and develops the relationships between its brands, its culture and its customers. In fiscal 2011, the Company amplified its social initiatives, running groundbreaking marketing programs utilizing Facebook holistically... from the deployment of "Sponsored Stories" to the use of Facebook credits targeted at social gamers. These efforts earned national media coverage and won the following of tens of thousands of users. 1-800-FLOWERS.COM® also built "social graph" integration directly into its website platform, allowing customers to engage outside of traditional paths of browsing and buying. For example, customers can find out about upcoming Facebook friends' birthdays while browsing the site or send gift ideas directly from a product page to another Facebook connection.

Wednesday	Thursday	Friday	Saturday
		1	2
6	7	8	9
13	14 *Flag Day*	15	16
20 *First Day of Summer*	21	22	23
27	28	29	30

July 2012

Created in fiscal 2011 and launched in fiscal 2012, FruitBouquets.com[SM] is one of 1-800-FLOWERS.COM's most exciting new brands and product lines. Offering a uniquely taste-tempting assortment of fruit varieties and different designs at several price points, Fruit Bouquets by 1800Flowers.com[SM] are set to become a favorite choice of local florists and consumers alike. To help build toward national coverage and stimulate sales for florists, 1-800-FLOWERS.COM® is offering extensive training in confecting the new fruit arrangements and in marketing them in their local communities. The Fruit Bouquets[SM] line will also be available through the Company's Fannie May® retail stores.

Sunday	Monday	Tuesday
1	2	3
8	9	10
15	16	17
22 *Parents' Day*	23	24
29	30	31

Wednesday	Thursday	Friday	Saturday
4 *Independence Day*	5	6	7
11	12	13	14 *Bastille Day*
18	19	20	21
25	26	27	28

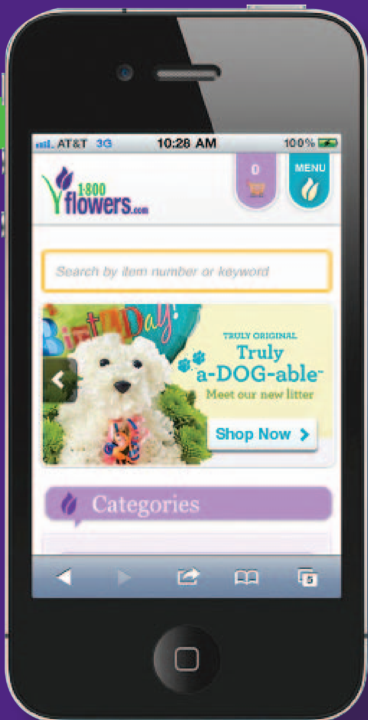
August 2012

A key element in 1-800-FLOWERS.COM's more than 35 years of helping customers deliver smiles is the Company's caring team obsessed with service. That obsession involves working with the best florists, using the best flowers with guaranteed freshness, the highest quality ingredients in its gourmet food gifts, and working tirelessly to resolve any customer issue...guaranteeing 100 percent customer satisfaction. Illustrating its dedication to caring for customer needs, 1-800-FLOWERS.COM® was rated number one versus competitors for customer service by STELLAService. The Company was also named by the E-Tailing Group as one of only nine online retailers out of 100 benchmarked to meet the criteria for Excellence in Online Customer Service.

Sunday	Monday	Tuesday
5	6 *National Friendship Week Begins*	7
12	13	14
19	20	21
26	27	28

Wednesday	Thursday	Friday	Saturday
1	2	3	4
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

September 2012



As part of its strategic priority to innovate and invest for the future, 1-800-FLOWERS.COM® continued in fiscal 2011 to increase its presence in the still emerging mobile marketplace. When it comes to leveraging new technologies, the Company has always been at the forefront – as the first to use its 800 number as its name, the first merchant on AOL and the first to open a transactional store on Facebook. With mobile commerce growing at a pace reminiscent of the early Internet, 1-800-FLOWERS.COM® is constantly redesigning its mobile site and developing new apps for smartphones, tablets and other devices. Highlighting its mobile commerce leadership, the Company was recognized with the "Mobile App of the Year" in the Best Shopping category by Retail Info Systems and named "Best Mobile App for E-commerce" by Digiday's Publishing & Advertising Awards.

Sunday	Monday	Tuesday
2	3 *Labor Day*	4
9 *Grandparents' Day*	10	11 *Patriot Day*
16 *Rosh Hashanah Begins at Sunset*	17	18
23 / 30	24	25 *Yom Kippur Begins at Sunset*

Wednesday	Thursday	Friday	Saturday
			1
5	6	7	8
12	13	14	15
19	20	21	22 *First Day of Fall*
26	27	28	29

October
2012

Customer engagement remained an integral component in 1-800-FLOWERS.COM's growth strategy during fiscal 2011. Prominent in this strategy is Celebrations.com℠, the leading online destination for fabulous party ideas and planning tips. In addition to its highly-trafficked website, Celebrations® has expanded its media initiatives including its keepsake book series featuring such titles as Celebrating Mom, Celebrating Love, Celebrating Friendship and Celebrating Weddings. On the wedding scene, Celebrations'® latest media efforts include a starring role for founder and CEO Jim McCann in a new reality TV show entitled "I Do Over." The program, which airs on WE tv and also stars celebrity event designer Diann Valentine, offers a second chance for couples who have experienced a bridal disaster...a wedding destroyed by a tsunami, a fire at the reception hall, a groom's heart attack at the altar!

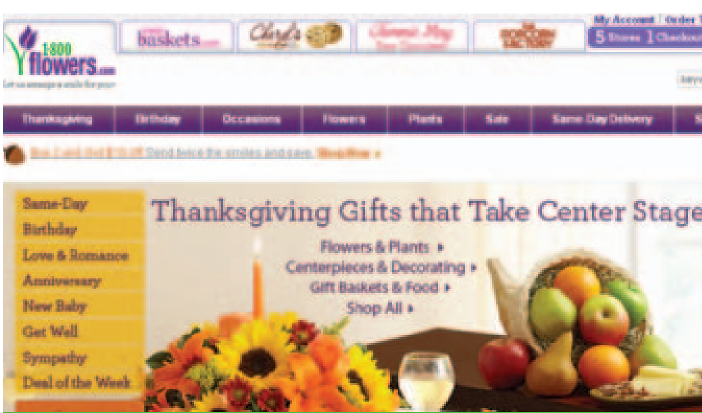
Sunday	Monday	Tuesday
	1	2
7	8 *Columbus Day (Observed)* *National Children's Day*	9
14	15	16 *National Bosses Day*
21	22	23
28	29	30

Wednesday	Thursday	Friday	Saturday
3	4	5	6
10	11	12	13
17	18	19	20 *Sweetest Day*
24	25	26	27
31 *Halloween*			

November
2012

As a thoughtful gift company with a multi-channel approach, 1-800-FLOWERS.COM® makes it easy for customers to deliver smiles to the important people in their lives. This is accomplished online, through local stores, via telephonic sales and increasingly on mobile devices. Building on the double-digit sales growth of 1-800-Baskets.com® and its dual-tabbed website which leverages the brand recognition and customer traffic of the 1-800-FLOWERS.COM® flagship website, the Company has introduced a new multi-branded site featuring its family of gourmet food and gift baskets brands: Fannie May® Fine Chocolates; Cheryl's® bakery gifts; and The Popcorn Factory®. The multi-brand site format offers the convenience of a shared shopping cart and shared checkout as well as an expanded range of great gifts for all recipients and occasions.

Sunday	Monday	Tuesday
4	5	6 Election Day
11 Veterans' Day	12	13
18	19	20
25	26	27



Wednesday	Thursday	Friday	Saturday
	1	2	3
7	8	9	10
14	15	16	17
21	22 *Thanksgiving Day*	23	24
28	29	30	

December
2012

Key to the positive trends 1-800-FLOWERS.COM® experienced in its consumer floral business during fiscal 2011 has been an emphasis on truly original designs. Collaborating with florists through its BloomNet Design Council as well as through various Floriology® training programs, the Company has developed many imaginative hand-arranged fresh floral products that have been embraced by customers. These include the exclusive a-DOG-able™ floral collection along with a new and completely redesigned assortment of the already highly successful "Happy Hour Collection™" of whimsical floral "cocktail" bouquets. In addition, the Company further extended its authority position in floral design with the introduction of its "store-within-a-store" boutiques featuring unique and exclusive Bonsai plants, Orchids and Sunflowers.

Sunday	Monday	Tuesday
2	3	4
9	10	11
16	17	18
23 / 30	24 / 31	25 Christmas Day

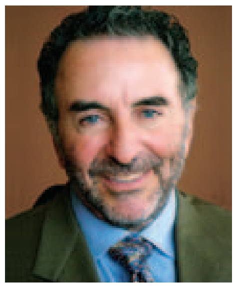
Wednesday	Thursday	Friday	Saturday
			1
5	6	7	8 *Hanukkah Begins at Sunset*
12	13	14	15
19	20	21 *First Day of Winter*	22
26 *First Day of Kwanzaa*	27	28	29

Board of Directors

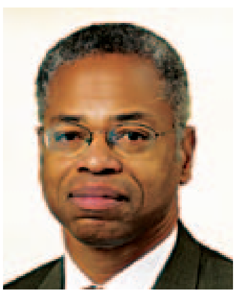
James F. McCann
Chairman and
Chief Executive Officer
1-800-FLOWERS.COM

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

Jeffrey C. Walker
Executive in Residence
Harvard Business School

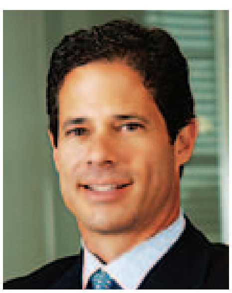


James A. Cannavino
Chairman & CEO
Direct Insite, Inc.

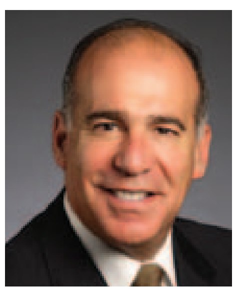


Leonard J. Elmore
Chief Executive Officer
iHoops

John J. Conefry
Vice Chairman
Astoria Financial Corporation



Lawrence V. Calcano
Chairman and
Chief Executive Officer
Bite Tech, Inc.



Larry Zarin
Senior Vice President and
Chief Marketing Officer
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

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

Mark Nance
President
BloomNet
1-800-FLOWERS.COM

Fiscal Year 2011

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 July 3, 2011, June 27, 2010 and June 28, 2009 and the consolidated balance sheet data as of July 3, 2011 and June 27, 2010, 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 June 29, 2008 and July 1, 2007, and the selected consolidated balance sheet data as of June 28, 2009, June 28, 2008, and July 1, 2007, 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 Fine Stationery, Inc. in May 2011, Mrs. Beasley's Bakery LLC in March 2011, Geerlings & Wade, Inc. in March 2009, Napco Marketing Corp. in July 2008 and DesignPac Gifts, LLC in April 2008. 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. On January 25, 2010, the Company completed the sale of these businesses; refer to the Consolidated Financial Statements "Discontinued Operations" for a further discussion. Consequently, 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				
	July 3, 2011	June 27, 2010	June 28, 2009	June 29 , 2008	July 1, 2007
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues:					
E-commerce	**$485,377**	$469,974	$498,519	$584,174	$576,627
Other	**204,410**	197,736	215,431	155,037	149,023
Total net revenues	**689,787**	667,710	713,950	739,211	725,650
Cost of revenues	**409,703**	401,908	432,744	426,916	419,083
Gross profit	**280,084**	265,802	281,206	312,295	306,567
Operating expenses:					
Marketing and sales	**174,758**	172,640	175,839	183,430	180,238
Technology and development	**20,424**	17,952	21,000	19,611	18,871
General and administrative	**50,774**	50,450	50,451	52,107	50,236
Depreciation and amortization	**20,715**	21,378	21,010	17,822	15,353
Goodwill and intangible impairment	**—**	—	85,438	—	—
Total operating expenses	**266,671**	262,420	353,738	272,970	264,698
Operating income (loss)	**13,413**	3,382	(72,532)	39,325	41,869
Other income (expense), net	**(4,077)**	(5,752)	(9,295)	(4,170)	(6,133)
Income (loss) from continuing operations before income taxes	**9,336**	(2,370)	(81,827)	35,155	35,736
Income tax expense (benefit) from continuing operations	**3,614**	(282)	(15,326)	13,126	14,755
Income (loss) from continuing operations	**5,722**	(2,088)	(66,501)	22,029	20,981
Income (loss) from discontinued operations, before income taxes	**—**	(1,723)	(39,754)	(1,785)	(6,727)
Income tax expense (benefit) from discontinued operations	**—**	410	(7,838)	(810)	(2,864)
Income (loss) from discontinued operations	**—**	(2,133)	(31,916)	(975)	(3,863)
Net income (loss)	**$ 5,722**	$ (4,221)	$ (98,417)	$ 21,054	$ 17,118
Net income (loss) per common share (basic):					
From continuing operations	**$ 0.09**	$ (0.03)	$ (1.05)	$ 0.35	$ 0.33
From discontinued operations	**—**	$ (0.03)	$ (0.50)	$ (0.02)	$ (0.06)
Net income (loss) per common share (basic)	$ **0.09**	$ (0.07)	$ (1.55)	$ 0.33	$ 0.27
Net income (loss) per common share (diluted):					
From continuing operations	$ **0.09**	$ (0.03)	$ (1.05)	$ 0.34	$ 0.32
From discontinued operations	**—**	(0.03)	(0.50)	(0.01)	(0.06)
Net income (loss) per common share (diluted)	$ **0.09**	(0.07)	(1.55)	0.32	0.26
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**64,001**	63,635	63,565	63,074	63,786
Diluted	**65,153**	63,635	63,565	65,458	65,526

Selected Financial Data *(continued)*

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

	As of				
	July 3, 2011	June 27, 2010	June 28, 2009	June 29 , 2008	July 1, 2007
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and equivalents and short-term investments	**$ 21,442**	$ 27,843	$ 29,562	$ 12,124	$ 16,087
Working capital	**17,778**	22,963	43,679	33,416	51,419
Total assets	**256,951**	256,086	286,127	371,338	352,507
Long-term liabilities	**32,243**	48,745	73,945	63,739	78,911
Total stockholders' equity	**141,661**	132,626	133,783	231,465	201,031

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

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

Description of Business

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 35 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. The 1-800-FLOWERS.COM Mobile Flower & Gift Center was named winner of the 2010 "Best Mobile App for E-commerce" by DPAC (Digiday's Publishing & Advertising Awards) and the 2010 Mobile App of the Year Award in the "Best Shopping" category by RIS (Retail Info Systems). 1-800-FLOWERS.COM was also rated number one vs. competitors for customer service by STELLAService and named by the E-Tailing Group as one of only nine online retailers out of 100 benchmarked to meet the criteria for Excellence in Online Customer Service. 1-800-FLOWERS.COM has been honored in Internet Retailer's "Hot 100: America's Best Retail Web Sites" for 2011 and was one of only five retailers to receive the 2011 Customer Innovation Award from Avaya for transforming the business through innovative use of business communications and collaboration technologies. 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 "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's (1-800-443-8124 or www.cheryls.com); premium chocolates and confections from Fannie May® confections brands (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); and wine gifts from Winetasting.com® (www.winetasting.com). The Company's Celebrations® brand (www.celebrations.com) is a leading online destination for fabulous party ideas and planning tips and FineStationery.com® (www.finestationery.com) is the premier site for unique, customizable invitations, announcements and greeting cards. 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 as well as various philanthropic and charitable efforts.

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. On January 25, 2010, the Company completed the sale of these businesses; refer to the Consolidated Financial Statements "Discontinued Operations" for a further discussion. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, 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. 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, compared to pre-recessionary levels, has been adversely affected by the reduction in consumer spending.

Anticipating continued economic pressure, during fiscal 2011, the Company took a more conservative view of the economy, and focused on achieving growth and enhancing its results through areas of the business over which it had more control. Throughout the year, the Company saw improving trends in terms of revenue growth, gross margin and contribution margin. Revenue returned to growth in our fiscal third quarter, and continued into our fiscal fourth quarter, resulting in annual year-over-year growth. This was achieved in a challenging environment through a merchandising strategy that focused on providing our customers with truly original products, the success of which can be seen in increased average order value and improved return on investment in marketing programs. All of the above factors resulted in improved operating results.

Reflecting the continued uncertainty in the consumer economy, the Company does not anticipate significant improvements in consumer demand for discretionary purchases during fiscal 2012. With this in mind, the Company plans to continue its strategy of focusing on areas of its business where it believes it can exert control and thereby affect enhanced results, including:

- leveraging the Company's operating cost structure;
- merchandising initiatives that emphasize truly original product designs and product line extensions;
- marketing programs that provide improved return on investment by engaging directly with customers to deepen our relationship with them;
- manufacturing and sourcing enhancements that can help mitigate commodity and shipping price increases and deliver increased gross profit margins, and;
- continuing investments for the future, particularly in social and mobile commerce initiatives, growing the 1-800-Baskets.com business and expanded franchising opportunities in its Fannie May and 1-800-Flowers brands.

For fiscal 2012, the Company expects to build on the positive trends that it has shown during fiscal 2011, including increases in revenue, gross margin and contribution margin in its Consumer Floral business as well as continued top and bottom line growth in its BloomNet and Gourmet Food and Gift Baskets categories. As a result, the Company anticipates consolidated revenue growth for the full year in the low-to-mid-single digit range as well as year-over-year increases in EBITDA, EPS and Free Cash Flow.

Category Information

The following table presents the contribution of net revenues, gross profit and category contribution margin from each of the Company's business categories, as well as consolidated EBITDA (and for fiscal 2010 and 2009, 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). 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 from Continuing Operations:

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
			(in thousands)		
Net revenues from continuing operations:					
1-800-Flowers.com Consumer Floral (*)	**$369,198**	0.7%	$366,516	(7.2%)	$394,782
BloomNet Wire Service	**73,281**	18.4%	61,883	(2.6%)	63,515
Gourmet Food & Gift Baskets	**247,574**	3.2%	239,942	(7.3%)	258,710
Corporate(**)	**1,150**	7.4%	1,071	(4.3%)	1,119
Intercompany eliminations	**(1,416)**	(16.8%)	(1,702)	59.2%	(4,176)
Total net revenues from continuing operations	**$689,787**	3.3%	$667,710	(6.5%)	$713,950

Gross Profit from Continuing Operations:

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
			(in thousands)		
Gross profit:					
1-800-Flowers.com Consumer Floral (*)	**$140,162**	8.5%	$129,239	(11.4%)	$145,881
	38.0%		35.3%		37.0%
BloomNet Wire Service	**36,877**	5.7%	34,890	(1.4%)	35,374
	50.3%		56.4%		55.7%
Gourmet Food & Gift Baskets	**102,472**	1.5%	100,990	0.8%	100,187
	41.4%		42.1%		38.7%
Corporate(**)	**573**	(16.1%)	683	136.3%	289
Intercompany eliminations	**—**		—		(525)
Total gross profit from continuing operations	**$280,084**	5.4%	$265,802	(5.5%)	$281,206
	40.6%		39.8%		39.4%

Adjusted EBITDA (***) from Continuing Operations:

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Category Contribution Margin(***):					
1-800-Flowers.com Consumer Floral (*)	**$ 32,669**	47.6%	$ 22,141	(43.0%)	$ 38,830
BloomNet Wire Service	**20,195**	6.0%	19,051	1.5%	18,764
Gourmet Food & Gift Baskets	**28,833**	5.6%	27,303	11.0%	24,606
Category Contribution Margin Subtotal	**81,697**	19.3%	68,495	(16.7%)	82,200
Corporate (**)	**(47,569)**	(8.8%)	(43,735)	9.4%	(48,284)
Goodwill and intangible impairment	**—**	—	—	—	(85,438)
EBITDA	**34,128**	37.8%	24,760	148.1%	(51,522)
Goodwill and intangible impairment	**—**	—	—	—	85,438
Severance and other restructuring costs	**—**	—	—	—	2,543
Litigation settlement	**—**	—	898	—	—
Termination of Martha Stewart marketing agreement	**—**	—	1,931	—	—
Termination of post sale 3rd party marketing agreement	**—**	—	1,039	—	—
Adjusted EBITDA from continuing operations	**$ 34,128**	19.2%	$ 28,628	(21.5%)	$ 36,459

Discontinued Operations:

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Net revenues from discontinued operations	**—**	—	$ 87,852	(38.9%)	$143,746
Gross profit from discontinued operations	**—**	—	40,905	(39.3%)	67,439
Adjusted EBITDA from discontinued operations	**—**	—	$ 4,640	280.6%	$ (2,569)

(*) During the second quarter of fiscal 2010 the Company launched the 1-800-Baskets.com brand which is included within the results of the Gourmet Food & Gift Baskets category. Prior period results, which had previously been included within the 1-800-Flowers Consumer Floral category, have been reclassified accordingly.

(**) 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 Share-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 consolidated EBITDA (and for fiscal 2010 and 2009, 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), nor does it include one-time charges. 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 it as Discontinued Operations, as well as other one-time charges incurred during fiscal 2010 and 2009 (Goodwill and intangible impairment; Deferred financing cost write-off; Severance and other restructuring costs; Litigation settlement; and Termination of marketing agreements), the following Non-GAAP reconciliation table has been included within MD&A.

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

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
Net income (loss) from continuing operations	**$ 5,722**	$ (2,088)	$ (66,501)
Add:			
Interest expense	**4,200**	5,571	6,364
Depreciation and amortization	**20,715**	21,378	21,010
Deferred financing cost write-off	**—**	340	3,245
Income tax expense	**3,614**	—	—
Less:			
Interest income	**123**	159	314
Income tax benefit	**—**	282	15,326
EBITDA	**34,128**	24,760	(51,522)
Goodwill and intangible impairment	**—**	—	85,438
Severance and other restructuring costs	**—**	—	2,543
Litigation settlement	**—**	898	—
Termination of Martha Stewart marketing agreement	**—**	1,931	—
Termination of post sale 3rd party marketing agreement	**—**	1,039	—
Adjusted EBITDA from continuing operations	**$ 34,128**	$ 28,628	$ 36,459

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal year 2011 which ended on July 3, 2011 consisted of 53 weeks, whereas fiscal years 2010 and 2009 which ended on June 27, 2010, and June 28, 2009 respectively, consisted of 52 weeks.

Net Revenues

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
			(in thousands)		
Net revenues:					
E-Commerce	**$ 485,377**	3.3%	$469,974	(5.7%)	$498,519
Other	**204,410**	3.4%	197,736	(8.2%)	215,431
	$ 689,787	3.3%	$667,710	(6.5%)	$ 713,950

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 July 3, 2011 revenues increased by 3.3% over the prior year period, as a result of growth across all categories, including almost 1.0% growth within the Consumer Floral category, reversing the trend after two years of revenue declines, as well as continued growth in its BloomNet wire service and Gourmet Food and Gift Baskets categories.

During the fiscal year ended June 27, 2010, revenues decreased 6.5% compared to the prior year period, primarily as a result of weakness in the retail economy which resulted in lower wholesale order volumes from DesignPac Gifts, which is included within the Company's Gourmet Food & Gift Baskets category, combined with lower demand within the 1-800-Flowers Consumer Floral business, and from weakness in wholesale product sales within the BloomNet WireService business. Fiscal 2010 was further impacted by the termination of the Company's third-party marketing program during the second quarter of fiscal 2010.

The Company fulfilled approximately 8.1 million, 8.4 million and 8.6 million orders through its e-commerce (combined online and telephonic) sales channel during fiscal 2011, 2010 and 2009, respectively, while average order value increased to $59.58 in fiscal 2011, compared to $55.71 in fiscal 2010 and $57.65 in fiscal 2009. This shift reflects the change in the Company's marketing and merchandising strategy which focused on innovative and original products designed to "wow" our customers' gift recipients. In comparison, during fiscal 2010, the Company relied more heavily on promotional pricing and markdowns, and free shipping offers promoted by the 1-800-Flowers brand during the fiscal 2010 key floral holidays in an effort to increase demand, in response to consumers' preference for lower price-point products.

Other revenues increased 3.4% during fiscal 2011, in comparison to the prior year period primarily as a result of the aforementioned sales growth in the BloomNet Wire Service business, whereas other revenues during fiscal 2010 decreased in comparison to the prior year, primarily as a result of the decline in DesignPac and Napco's wholesale order volume.

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. In addition, during May 2011, the Company acquired selected assets of Fine Stationery, an e-commerce retailer of personalized stationery, invitations and announcements. While included in the operating results of the Consumer Floral category during fiscal 2011, the operation of this acquisition did not have a material impact on results during fiscal 2011. Net revenues for the Consumer Floral category during the fiscal year ended July 3, 2011 increased by 0.7% over the prior year period as a result of continued strategic focus on: (i) upgrading merchandising programs, (ii) re-focusing the brand's marketing message, and (iii) enhancing the efficiency of its advertising spending. These efforts resulted in improvements in revenues, gross margin and contribution margin.

During fiscal 2010, net revenues decreased by 7.2% over the prior year period as a result of lower order volumes due to soft consumer demand caused by the weakened economy. Fiscal 2010 revenue was negatively impacted by a combination of the Sunday day-placement and severe snow storms across much of the country during the Valentine's Day holiday, as well as the termination of the Company's third-party marketing program during the second quarter of fiscal 2010. After seeing improving revenue trends leading up to the fiscal 2010 Valentine's Day holiday, the Company made the strategic decision to increase its marketing spending and offered customers a free shipping/no service charge promotion in order to spur demand and accelerate the anticipated return to revenue growth with the brand. Although these programs resulted in an increase in order count and new customer acquisition, the lift in orders was insufficient to offset the associated decline in average order and gross margin, and combined with the increase in advertising spending required to support the promotion, resulted in significantly lower category contribution margin. These negative trends continued, at a less dramatic rate, for Mother's Day and through the end of fiscal 2010.

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 July 3, 2011 increased by 18.4% over the prior year period, primarily as a result of growing revenues associated with increased shop-to-shop order volume. While this order volume positively impacts revenues, at the present time, the impact on gross margin and contribution margin is significantly less than BloomNet's normal margin. However, BloomNet expects to continue to monetize this increased order volume through increasing membership, technology, services and product fees. Net revenues during the fiscal year ended June 27, 2010 decreased by 2.6% over the prior year period, primarily due to lower wholesale product sales from Napco, as florists scaled back purchases as a result of the weakness in the retail economy.

The Gourmet Food & Gift Basket category includes the operations of 1-800-Baskets, Cheryl's Cookies & Brownies, Fannie May Chocolates, The Popcorn Factory, The Winetasting Network and DesignPac businesses. 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's and Fannie May brands, as well as wholesale operations. During the second quarter of fiscal 2010, the Company launched a new co-branded website which featured the 1-800-BASKETS.COM® brand, a re-merchandised collection of gourmet gift baskets confected by DesignPac. Fiscal 2009 revenues from gourmet gift baskets, which were previously included within the 1-800-Flowers.com Consumer Floral category, have been reclassified to conform to current year presentation. Net revenue during the fiscal year ended July 3, 2011 increased by 3.2% compared to the prior year period, primarily as a result of e-commerce sales growth from 1-800-Baskets.com and Cheryl's brands, as well as sales volume through the Winetasting Network, partially offset by reduced wholesale volume from DesignPac. Net revenues during the fiscal year ended June 27, 2010 decreased by 7.3% over the prior year period as a result of lower revenue from DesignPac, due to significant reductions in wholesale orders.

For fiscal 2012, the Company expects to build on the positive trends that it has shown in recent quarters, including increases in revenue in its Consumer Floral business as well as continued top and bottom line growth in its BloomNet and Gourmet Food and Gift Baskets categories. As a result, the Company anticipates consolidated revenue growth for the full year in the low-to-mid-single digit range.

Gross Profit

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
		(in thousands)			
Gross profit	**$280,084**	5.4%	$265,802	(5.5%)	$281,206
Gross margin %	**40.6%**		39.8%		39.4%

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 increased during the fiscal year ended July 3, 2011, compared to the prior year, due to the combination of increased revenues across all categories as described above, as well as an 80 basis point improvement in gross margin percentage, resulting from improved merchandising programs and reduced promotional activities within the Company's 1-800-Flowers.com Consumer Floral category, more than offsetting fuel and commodity cost increases, and the margin impact of the third-party marketing program which was discontinued in December 2009. Gross profit decreased during the fiscal year ended June 27, 2010, as a result of the decline in revenues in comparison to the prior year period, while gross margin percentage increased 40 basis points as a result of product mix associated with the impact of lower wholesale revenues from DesignPac, as well as improved manufacturing and supply chain operating efficiencies, offset in part by continued reliance on promotional pricing and the termination of the Company's high margin post sale third-party marketing program.

The 1-800-Flowers.com Consumer Floral category gross profit and gross profit margin percentage increased by 8.5% and 270 basis points, respectively, during the fiscal year ended July 3, 2011, compared to the prior year period, due to the higher revenue, as described above, and gross margin improvements due to the aforementioned improvements in merchandising programs and reductions in promotional activity, as well as the impact of the termination of the Martha Stewart marketing agreement during the fourth quarter of fiscal 2010. During the fiscal year ended June 27, 2010, gross profit and gross profit margin percentage decreased by 11.4% and 170 basis points, respectively, over the prior year period, as a result of decreased sales volume and promotional pricing, partially offset by supply chain improvements. Fiscal 2010 gross margin percentage was also negatively impacted by the aforementioned termination of the Company's third-party marketing program, the early termination charge associated with the Martha Stewart marketing agreement, and the free-shipping/no-service charge promoted for the fiscal 2010 Valentine's Day holiday in order to improve consumer demand. Although order volume increased as a result of the Valentine's Day promotion, the improvement was insufficient to offset the decrease in average order value and the impact on gross margin percentage, ultimately resulting in a decline in gross profit.

The BloomNet Wire Service category gross profit increased by 5.7% during the fiscal year ended July 3, 2011, compared to the prior year period, as a result of the above mentioned increase in shop-to-shop order volume. While the cost of these orders negatively affected gross margin percentage, these orders generated increased net revenues and gross margin dollars. BloomNet expects to continue to monetize this increased order volume and thereby improve gross margin over time. During fiscal 2010, gross profit from the BloomNet Wire Service category decreased by 1.4% compared to the prior year period, while gross margin percentage increased 70 basis points, as a result of sales mix due to the aforementioned decrease in lower margin floral wholesale product revenue.

The Gourmet Food & Gift Baskets category gross profit increased by 1.5% and 0.8% during the fiscal years ended July 3, 2011 and June 27, 2010, respectively. The increased gross profit during fiscal 2011 was attributable to sales mix, whereby higher margin e-commerce sales growth within the 1-800-Baskets and Cheryl's brands and retail store revenue growth by the Fannie May brand, more than offset the impact of the loss of lower margin wholesale order volume from DesignPac, whereas the gross profit increase during fiscal 2010 was a result of improved gross margin performance, which offset the revenue decline primarily attributable to DesignPac. During the fiscal year ended July 3, 2011, the gross margin percentage decreased by 70 basis points, reflecting the above mentioned change in sales mix, as well as increased fuel and commodity prices, whereas, the gross margin percentage in fiscal 2010 increased 340 basis points due to the reduction in lower margin DesignPac sales volume, as well as improved gross margins resulting from manufacturing efficiencies and reduced promotional pricing across all other businesses within the category.

For fiscal 2012, the Company expects its gross margin percentage will improve in comparison to fiscal 2011 as a result of a reduction in promotional activity, as well as improvements in product sourcing, supply chain and manufacturing efficiencies.

Marketing and Sales Expense

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
			(in thousands)		
Marketing and sales	**$174,758**	1.2%	$172,640	(1.8%)	$175,839
Percentage of sales	**25.3%**		25.9%		24.6%

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 July 3, 2011, marketing and sales expense increased by 1.2%, compared to the prior year period, as a result of: (i) an increase in compensation expense, due to incentive compensation, reflecting the improved operating results during the current year, as well as new initiatives for franchising and store growth, and (ii) variable costs associated with the increase in revenue, offset by reductions in advertising spending, reflecting the Company's continued focus on improving its merchandising programs, re-focusing the marketing messages, and enhancing the efficiency of the advertising efforts. As a result, marketing and sales expenses as a percentage of net revenues decreased from 25.9% in fiscal 2010 to 25.3% in fiscal 2011. During the fiscal year ended June 27, 2010, marketing and sales expense decreased by 1.8% as a result of a number of cost-reduction initiatives, including: (i) savings in catalog printing and co-mailing costs and planned reductions in customer prospecting, (ii) reductions in variable costs associated with the decline in revenue, and (iii) the impact of severance incurred in the prior year. Marketing and sales expense increased as a percentage of sales during the fiscal year ended June 27, 2010, as a result of: (i) sales mix caused by the reduction of wholesale basket products by DesignPac, which operate with a low level of marketing and sales expense, and (ii) the Valentine's Day holiday promotions implemented by the 1-800-Flowers Consumer Floral brand which did not generate sufficient revenue to support the level of advertising spend.

During each of the fiscal years ended July 3, 2011 and June 27, 2010, the Company added approximately 2.3 million new e-commerce customers, compared to 2.4 million in fiscal 2009. Of the 4.8 million total customers who placed e-commerce orders during fiscal 2011, approximately 52% were repeat customers, consistent with fiscal 2010 and 2009, reflecting the Company's focus on deepening the relationship with its existing customers as their trusted source for gifts and services for all of their celebratory occasions.

Technology and Development Expense

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Technology and development	**$ 20,424**	13.8%	$17,952	(14.5%)	$ 21,000
Percentage of sales	**3.0%**		2.7%		2.9%

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 July 3, 2011, technology and development expense increased by 13.8% over the prior year period, as a result of increased labor costs required to support and implement recent website improvements, as well as from higher incentive compensation expense in comparison to the prior year, partially offset by reductions in the cost of hosting the Company's technology platforms, as a result of footprint reductions and sourcing savings. During the fiscal year ended June 27, 2010, technology and development expense decreased by 14.5% over the prior year as a result of decreased labor/consulting costs due to re-sizing initiatives, as well as a reduction in the number and size of hosting sites.

During the fiscal years ended July 3, 2011, June 27, 2010, and June 28, 2009 the Company expended $32.6 million, $29.3 million, and $35.7 million, respectively, on technology and development, of which $12.2 million, $11.4 million, and $14.7 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
General and administrative	**$ 50,744**	0.6%	$50,450	0.1%	$ 50,451
Percentage of sales	**7.4%**		7.6%		7.1%

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 was relatively consistent with the prior year, but decreased as a percentage of net revenues from 7.6% in fiscal 2010 to 7.4% in fiscal 2011, as a result of reduced health insurance costs due to plan redesign and reductions in legal fees associated with litigation which was settled in the prior year, offset by higher incentive compensation expense due to improved financial performance. During fiscal 2010, general and administrative expense was consistent with the prior year period, but increased as a percentage of sales, as a result of a litigation settlement of approximately $0.9 million, offset by reduced labor and operating costs related to the Company's re-sizing initiatives implemented during fiscal 2009.

Depreciation and Amortization

	Years Ended				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Depreciation and amortization	**$ 20,715**	(3.0%)	$21,378	1.8%	$ 21,010
Percentage of sales	**3.0%**		3.2%		2.9%

Depreciation and amortization expense decreased by 3.0% during the fiscal year ended July 3, 2011 in comparison to the prior year period as a result of the Company's efforts over the last three years to reduce capital expenditures. During the fiscal year ended June 27, 2010 depreciation and amortization expense increased by 1.8% in comparison to the prior year period, primarily as a result of the incremental amortization related to the intangibles established as a result of the acquisition of DesignPac in April 2008, as well as capital additions for technology platform improvements.

Goodwill and Intangible Impairment

The Company performs an annual impairment test during its fiscal fourth quarter, or earlier, if indicators of potential impairment exist, to evaluate its goodwill and intangible assets. While the Company determined that there was no impairment during fiscal 2011 or 2010, 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, during the year ended June 28, 2009, the Company recorded goodwill and intangible impairment charges of $85.4 million. 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				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Interest income	**$ 123**	(22.6%)	$ 159	(49.4%)	$ 314
Interest expense	**(4,200)**	24.6%	(5,571)	12.5%	(6,364)
Deferred financing write-off	**—**	100%	(340)	89.5%	(3,245)
	$ (4,077)	29.1%	$ (5,752)	38.1%	$ (9,295)

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 decreased during the fiscal years ended July 3, 2011 and June 27, 2010, in comparison to the respective prior year periods, due to scheduled paydowns and prepayments of amounts outstanding under the Company's term loans, as well as reduced working capital borrowings. During fiscal 2009, the impact of the reduction in outstanding borrowings was partially offset by increases in interest rates, in part due to the interest rate swap that the Company entered into during July 2009, in accordance with its credit facility agreement.

Income Taxes

During the fiscal year ended July 3, 2011, the Company recorded income tax expense of $3.6 million, resulting in an effective tax rate of 38.7%. During the fiscal years ended June 27, 2010 and June 28, 2009, the Company recorded an income tax benefit of $0.3 million and $15.3 million, respectively, resulting in an effective tax rate of 11.9% and 18.7%, respectively. The Company's effective tax rate for the fiscal years ended July 3, 2011 and June 27, 2010, differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes and non-deductible stock-based compensation, partially offset by various tax credits, whereas the 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.

At July 3, 2011, the Company's federal net operating loss carryforwards were approximately $19.7 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. On January 25, 2010, the Company completed the sale of these businesses; refer to the Consolidated Financial Statements "Discontinued Operations" for a further discussion. 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				
	July 3, 2011	% Change	June 27, 2010	% Change	June 28, 2009
	(in thousands)				
Net revenues from discontinued operations	**—**	—	$87,852	(38.9%)	$ 143,746
Gross profit from discontinued operations	**—**	—	40,905	(39.3%)	67,439
Operating loss from discontinued operations (1)	**—**	—	(1,723)	95.7%	(39,754)
Loss from discontinued operations	**—**	—	(2,133)	93.3%	(31,916)

(1) including losses on disposal of $5.2 million and $14.7 million during the years ended June 27, 2010 and June 28, 2009, respectively, and impairment charges of $20.0 million during the year ended June 27, 2009

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 year ended June 27, 2010, net revenues from discontinued operations decreased by 38.9% over the prior year period as a result of lower E-commerce sales volume due to the sale of the business on January 25, 2010, and therefore fiscal 2010 results only include sales through the date of disposition. Further contributing to the revenue decline was reduced consumer spending, particularly in the home décor product category, and a planned reduction in catalog circulation, as well as lower retail store sales due to a store closure and a decline in customer traffic.

During the fiscal year ended June 28, 2009, net revenues from discontinued operations decreased by 20.2% over the prior year period 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 27, 2010 and June 28, 2009, decreased by 39.3% and 17.2%, respectively, compared to the prior year periods as a result of the aforementioned revenue declines. Gross margin percentage during fiscal

2010 decreased 30 basis points to 46.6% due to promotional activity, while during fiscal 2009, the gross margin percentage increased 170 basis points to 46.9%, benefiting from enhanced product sourcing and shipping initiatives.

Despite the aforementioned decline in revenues, operating income (loss) from discontinued operations during the fiscal year ended June 27, 2010, excluding the impact of goodwill and intangible impairment and loss on sale, increased by approximately $8.5 million over the prior year period driven by significant reduction in operating expenses, primarily related to reduced catalog circulation costs and other operating cost reduction initiatives. Fiscal 2009 operating income (loss) 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 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.

On January 25, 2010, the Company completed the sale of the assets and certain related liabilities of its Home & Children's Gifts business. The sales price of the assets was $17.0 million, subject to adjustments for changes in working capital (net proceeds amounted to $10.5 million). Based upon the carrying value of the assets held for sale, the Company recorded a loss of $5.3 million during the fiscal year ended June 27, 2010, including transaction, severance and transition obligations.

Liquidity and Capital Resources

At July 3, 2011, the Company had working capital of $17.8 million, including cash and equivalents of $21.4 million, compared to working capital of $23.0 million, including cash and equivalents of $27.8 million, at June 27, 2010.

Net cash provided by operating activities of $30.8 million for the fiscal year ended July 3, 2011 was attributable to operating income, adjusting for non-cash items related to depreciation and amortization, stock-based compensation and deferred income taxes, as well as increases in accounts payable and accrued expenses due to cash management initiatives, offset in part by increases in inventory, accounts receivable and prepaid expenses due to a combination of expanded wholesale activities and pre-positioning of inventory for production of Holiday 2011 merchandise.

Net cash used in investing activities of $22.0 million for the fiscal year ended July 3, 2011 was attributable to capital expenditures, primarily related to the Company's technology and distribution infrastructure, and the acquisitions of Mrs. Beasley's in March 2011 and Fine Stationery in May 2011.

Net cash used in financing activities of $15.2 million for the fiscal year ended July 3, 2011 was primarily for the repayment of bank borrowings on outstanding debt and long-term capital lease obligations. There were no borrowings outstanding under the Company's revolving credit facility as of July 3, 2011.

On April 14, 2009, the Company amended its 2008 Credit Facility with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility provided for term loan debt of $92.4 million and a seasonally adjusted revolving credit line ranging from $75.0 to $125.0 million.

On April 16, 2010, the Company entered into a Second Amended and Restated Credit Agreement (the "2010 Credit Facility"). The 2010 Credit Facility included a prepayment of approximately $12.1 million, comprised primarily of the proceeds from the sale of the Home & Children's Gifts segment in January 2010, and thereby reducing the Company's outstanding term loan under the facility to $60 million upon closing. The term loan, which matures on March 30, 2014, is payable in sixteen quarterly installments of principal and interest beginning in June 2010, with escalating principal payments at the rate of 20% in year one, 25% in years two and three and 30% in year four.

In addition, the 2010 Credit Facility extended the Company's revolving credit line through April 16, 2014, and reduced available borrowings from a seasonally adjusted limit which ranged from $75.0 million to $125.0 million to a seasonally adjusted limit ranging from $40.0 to $75.0 million.

Outstanding amounts under the 2010 Credit Facility will bear interest at the Company's option of 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 3.75% for LIBOR loans and 2.00% to 2.75% for ABR loans with pricing based upon the Company's leverage ratio.

The Company does not enter into derivative transactions for trading purposes, but rather to hedge its exposure to interest rate fluctuations. The Company manages its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest.

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matures on July 25, 2012.

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.

Despite the current challenging economic environment, the Company believes that cash flows from operations along with available borrowings from its existing revolving credit facility will be a sufficient source of liquidity. The Company anticipates borrowing against the facility prior to the end of the first fiscal quarter to fund working capital requirements related to pre-holiday manufacturing and inventory purchases. The Company anticipates that such borrowings will peak during its fiscal second quarter before being repaid prior to the end of that quarter. At July 3, 2011, the Company had no outstanding amounts under its revolving credit facility and the Company has no off-balance sheet arrangements.

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 to 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 $0.5 million of common stock during the fiscal year ended July 3, 2011. As of July 3, 2011, $11.8 million remains authorized.

Under this program, as of July 3, 2011, the Company had repurchased 2,569,713 shares of common stock for $14.5 million, of which $0.5 million (168,207 shares), $0.9 million (342,821 shares) and $0.8 million (397,899 shares) were repurchased during the fiscal years ending July 3, 2011, June 27, 2010 and June, 28, 2009, respectively.

At July 3, 2011, 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	$ 48,077	$ 17,145	$ 30,932	$ —	$ —
Capital lease obligations, including interest	1,647	1,641	6	—	—
Operating lease obligations	68,486	12,724	22,334	14,255	19,173
Sublease obligations	3,917	1,667	1,617	490	143
Purchase commitments (*)	41,841	41,841	—	—	—
Total	$163,968	$ 75,018	$ 54,889	$ 14,745	$ 19,316

(*) Purchase commitments consist primarily of inventory and equipment purchase orders 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 during 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.

Based on its impairment test, the Company's reporting units had significant safety margins, representing the excess of the estimated fair value of each reporting unit less its respective carrying value (including goodwill allocated to each respective reporting unit). 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

The measurement of stock-based compensation expense is 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 April 2011, the Company adopted ASU 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations." ASU 2010-29 requires an entity to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-29 is effective prospectively for business combinations that occur on or after the beginning of the first annual reporting period beginning after December 15, 2010. As permitted, the Company early adopted this standard. The adoption of ASU 2010-29 did not have an impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This standard results in a common requirement between the FASB and the International Accounting Standards Board (IASB) for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-04 to have a material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of ASU 2011-05 is not expected to have a material impact on the Company's consolidated financial statements.

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 July 3, 2011, the Company's outstanding debt, including current maturities, approximated $45.7 million.

The Company does not enter into derivative transactions for trading purposes, but rather to hedge its exposure to interest rate fluctuations. The Company manages its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest.

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matures on July 25, 2012. The Company has designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments. The effective portion of the after tax fair value gains or losses on these swaps is included as a component of accumulated other comprehensive loss. If in the future the interest rate swap agreements were determined to be ineffective or were terminated before the contractual termination dates, or if it became probable that the hedged variable cash flows associated with the variable-rate borrowings would stop, the Company would be required to reclassify into earnings all or a portion of the unrealized losses on cash flow hedges included in accumulated other comprehensive income (loss).

Exclusive of the impact of the Company's interest rate swap agreement, each 50 basis point change in interest rates would have had a corresponding effect on our interest expense of approximately $0.3 million on an annual basis.

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's expectations or beliefs at the time of this writing concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," "target" or similar words or phrases. Forward-looking statements include, but are not limited to, statements regarding the Company's ability to build on positive trends in its business, its ability to leverage its multi-brand website to enhance cross brand marketing efforts, its ability to achieve its guidance for consolidated revenue growth for the full year in the low-to-mid-single digit range and its guidance for bottom-line growth in EBITDA, EPS and Free Cash Flow at rates in excess of its anticipated revenue growth. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to manage the seasonality of its businesses; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments; and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2011 and 2010. 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							
	Jul. 3, 2011	Mar. 27, 2011	Dec. 26, 2010	Sep. 26, 2010	Jun. 27, 2010	Mar. 28, 2010	Dec. 27, 2009	Sep. 27, 2009
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$142,059	$117,506	$154,599	$ 71,213	$130,444	$113,030	$151,660	$ 74,840
Other	45,026	45,273	80,803	33,308	34,983	42,483	86,794	33,476
Total net revenues	187,085	162,779	235,402	104,521	165,427	155,513	238,454	108,316
Cost of revenues	112,619	99,574	136,570	60,940	102,455	96,100	138,791	64,562
Gross Profit	74,466	63,205	98,832	43,581	62,972	59,413	99,663	43,754
Operating expenses:								
Marketing and sales	50,180	43,812	50,848	29,918	44,459	46,729	51,976	29,476
Technology and development	5,578	5,179	4,786	4,881	4,688	4,183	4,525	4,556
General and administrative	13,133	12,930	12,831	11,880	11,946	11,297	14,673	12,534
Depreciation and amortization	5,064	5,230	5,286	5,135	5,607	5,482	5,343	4,946
Total operating expenses	73,955	67,151	73,751	51,814	66,700	67,691	76,517	51,512
Operating income (loss)	511	(3,946)	25,081	(8,233)	(3,728)	(8,278)	23,146	(7,758)
Other income (expense), net	(756)	(854)	(1,298)	(1,169)	(1,142)	(1,119)	(1,961)	(1,530)
Income (loss) from continuing operations before income taxes	(245)	(4,800)	23,783	(9,402)	(4,870)	(9,397)	21,185	(9,288)
Income tax expense (benefit)	(237)	(2,124)	10,253	(4,278)	(1,644)	(3,468)	8,452	(3,622)
Income (loss) from continuing operations	(8)	(2,676)	13,530	(5,124)	(3,226)	(5,929)	12,733	(5,666)
Loss from discontinued operations, before income taxes	—	—	—	—	(1,168)	(1,712)	3,795	(2,638)
Income tax expense (benefit)	—	—	—	—	560	(345)	1,225	(1,030)
Loss from discontinued operations	—	—	—	—	(1,728)	(1,367)	2,570	(1,608)
Net income (loss)	$ (8)	$ (2,676)	$ 13,530	$ (5,124)	$ (4,954)	$ (7,296)	$ 15,303	$ (7,274)
Basic and diluted net income (loss) per common share:								
From continuing operations	$ 0.00	$ (0.04)	$ 0.21	$ (0.08)	$ (0.05)	$ (0.09)	$ 0.20	$ (0.09)
From discontinued operations	—	—	—	—	(0.03)	(0.02)	0.04	(0.03)
Net income (loss) per common share	$ 0.00	$ (0.04)	$ 0.21	$ (0.08)	$ (0.08)	$ (0.11)	$ 0.24	$ (0.11)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	64,135	63,999	63,966	63,894	63,828	63,687	63,555	63,472
Diluted	64,135	63,999	64,801	63,894	63,828	63,687	64,070	63,472

The Company's quarterly results may experience seasonal fluctuations. Due to the Company's expansion into non-floral products, 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)

	July 3, 2011	June 27, 2010
Assets		
Current assets:		
Cash and equivalents	**$ 21,442**	$ 27,843
Receivables, net	**15,278**	13,943
Inventories	**51,314**	45,121
Deferred tax assets	**5,416**	5,109
Prepaid and other	**7,375**	5,662
Total current assets	**100,825**	97,678
Property, plant and equipment, net	**50,354**	51,324
Goodwill	**41,547**	41,211
Other intangibles, net	**41,808**	41,042
Deferred tax assets	**17,181**	19,265
Other assets	**5,236**	5,566
Total assets	**$256,951**	$256,086
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 66,559**	$ 59,914
Current maturities of long-term debt and obligations under capital leases	**16,488**	14,801
Total current liabilities	**83,047**	74,715
Long-term debt and obligations under capital leases	**29,250**	45,707
Other liabilities	**2,993**	3,038
Total liabilities	**115,290**	123,460
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, 32,987,313 and 32,492,266 shares issued in 2011 and 2010, respectively	**330**	325
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,138,465 shares issued in 2011 and 2010	**421**	421
Accumulated other comprehensive loss	**(158)**	(334)
Additional paid-in capital	**289,101**	285,515
Retained deficit	**(114,755)**	(120,477)
Treasury stock, at cost, 5,633,253 and 5,465,046 Class A shares in 2011 and 2010, respectively, and 5,280,000 Class B shares	**(33,278)**	(32,824)
Total stockholders' equity	**141,661**	132,626
Total liabilities and stockholders' equity	**$256,951**	$256,086

See accompanying notes.

Consolidated Statements of Operations

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

(in thousands, except per share data)

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
Net revenues	**$689,787**	$667,710	$713,950
Cost of revenues	**409,703**	401,908	432,744
Gross profit	**280,084**	265,802	281,206
Operating expenses:			
Marketing and sales	**174,758**	172,640	175,839
Technology and development	**20,424**	17,952	21,000
General and administrative	**50,774**	50,450	50,451
Depreciation and amortization	**20,715**	21,378	21,010
Goodwill and intangible impairment	**—**	—	85,438
Total operating expenses	**266,671**	262,420	353,738
Operating income (loss)	**13,413**	3,382	(72,532)
Other income (expense):			
Interest income	**123**	159	314
Interest expense	**(4,200)**	(5,571)	(6,364)
Deferred financing cost write-off	**—**	(340)	(3,245)
Total other income (expense), net	**(4,077)**	(5,752)	(9,295)
Income (loss) from continuing operations before income taxes	**9,336**	(2,370)	(81,827)
Income tax expense (benefit) from continuing operations	**3,614**	(282)	(15,326)
Income (loss) from continuing operations	**5,722**	(2,088)	(66,501)
Loss from discontinued operations before income taxes (including losses on disposal of $5.2 million and $14.7 million during the years ended June 27, 2010 and June 28, 2009, respectively, and impairment charges of $20.0 million during the year ended June 27, 2009)	**—**	(1,723)	(39,754)
Income tax expense (benefit) from discontinued operations	**—**	410	(7,838)
Loss from discontinued operations	**—**	(2,133)	(31,916)
Net income (loss)	**$ 5,722**	$ (4,221)	$ (98,417)
Basic and diluted net income (loss) per common share:			
From continuing operations	**$ 0.09**	$ (0.03)	$ (1.05)
From discontinued operations	**—**	(0.03)	(0.50)
Net income (loss) per common share	**$ 0.09**	$ (0.07)	$ (1.55)
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**64,001**	63,635	63,565
Diluted	**65,153**	63,635	63,565

See accompanying notes.

Consolidated Statements of Stockholders' Equity

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

Years ended July 3, 2011, June 27, 2010 and June 28, 2009

(in thousands, except share data)

	Common Stock				Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Stockholders' Equity
	Class A		Class B							
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at June 29, 2008	31,368,241	$ 314	42,138,465	$ 421	$ 279,718	$ (17,839)	$ —	10,004,326	$(31,149)	$231,465
Net loss	—	—	—	—	—	(98,417)	—	—	—	(98,417)
Exercise of employee stock options and vesting of restricted stock and stock-based compensation	362,163	3	—	—	1,835	—	—	—	—	1,838
Deferred tax shortfall from stock-based compensation	—	—	—	—	(306)	—	—	—	—	(306)
Stock repurchase program	—	—	—	—	—	—	—	397,899	(797)	(797)
Balance at June 28, 2009	31,730,404	317	42,138,465	421	281,247	(116,256)	—	10,402,225	(31,946)	133,783
Net loss	—	—	—	—	—	(4,221)	—	—	—	(4,221)
Change in value of cash flow hedge	—	—	—	—	—	—	(334)	—	—	(334)
Comprehensive loss	—	—	—	—	—	—	—	—	—	(4,555)
Vesting of restricted stock and stock-based compensation	761,862	8	—	—	4,635	—	—	—	—	4,643
Deferred tax shortfall from stock-based compensation	—	—	—	—	(367)	—	—	—	—	(367)
Stock repurchase program	—	—	—	—	—	—	—	342,821	(878)	(878)
Balance at June 27, 2010	32,492,266	325	42,138,465	421	285,515	(120,477)	(334)	10,745,046	(32,824)	132,626
Net income	—	—	—	—	—	**5,722**	—	—	—	**5,722**
Change in value of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**—**	**176**	**—**	**—**	**176**
Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,898**
Exercise of employee stock options and vesting of restricted stock and stock-based compensation	**495,047**	**5**	**—**	**—**	**4,005**	**—**	**—**	**—**	**—**	**4,010**
Deferred tax shortfall from stock-based compensation	**—**	**—**	**—**	**—**	**(419)**	**—**	**—**	**—**	**—**	**(419)**
Stock repurchase program	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**168,207**	**(454)**	**(454)**
Balance at July 3, 2011	**32,987,313**	**$ 330**	**42,138,465**	**$ 421**	**$ 289,101**	**$(114,755)**	**$ (158)**	**10,913,253**	**$ (33,278)**	**$141,661**

See accompanying notes.

Consolidated Statements of Cash Flows

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

(in thousands)	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
Operating activities:			
Net income (loss)	**$ 5,722**	$ (4,221)	$ (98,417)
Reconciliation of net income (loss) to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**—**	8,204	7,210
Loss on sale/impairment from discontinued operations	**—**	5,275	34,758
Goodwill and intangible asset impairment from continuing operations	**—**	—	85,438
Depreciation and amortization	**20,715**	21,378	21,010
Amortization of deferred financing costs	**474**	763	3,751
Deferred income taxes	**2,262**	(127)	(22,249)
Bad debt expense	**1,546**	1,908	2,264
Stock-based compensation	**3,961**	4,643	1,724
Tax benefits from stock-based compensation	**419**	275	306
Other non-cash items	**27**	77	(178)
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(2,881)**	(4,516)	516
Inventories	**(5,491)**	733	(2,589)
Prepaid and other	**(1,703)**	(1,082)	(219)
Accounts payable and accrued expenses	**6,647**	6,453	(5,754)
Other assets	**(748)**	(124)	412
Other liabilities	**(225)**	389	511
Net cash provided by operating activities	**30,725**	40,028	28,494
Investing activities:			
Acquisitions, net of cash acquired	**(4,310)**	—	(12,001)
Proceeds from sale of business	**—**	10,468	25
Capital expenditures	**(17,017)**	(15,041)	(12,265)
Purchase of investment	**(268)**	(2,192)	—
Other, net	**100**	325	215
Investing activities of discontinued operations	**—**	(78)	(1,202)
Net cash used in investing activities	**(21,495)**	(6,518)	(25,228)
Financing activities:			
Acquisition of treasury stock	**(454)**	(878)	(797)
Proceeds from exercise of employee stock options	**49**	—	114
Tax benefits from stock based compensation	**(419)**	(367)	(306)
Proceeds from bank borrowings	**40,000**	49,000	120,000
Repayment of bank borrowings	**(52,750)**	(79,352)	(100,648)
Debt issuance cost	**(17)**	(1,637)	(3,603)
Repayment of capital lease obligations	**(2,040)**	(1,995)	(502)
Financing activities of discontinued operations	**—**	—	(86)
Net cash (used in) provided by financing activities	**(15,631)**	(35,229)	14,172
Net change in cash and equivalents	**(6,401)**	(1,719)	17,438
Cash and equivalents:			
Beginning of year	**27,843**	29,562	12,124
End of year	**$ 21,442**	$ 27,843	$ 29,562

Supplemental Cash Flow Information:

- Interest paid amounted to $4.2 million, $5.4 million, and $5.8 million for the years ended July 3, 2011, June 27, 2010 and June 28, 2009, respectively.
- Capital expenditures excludes capital lease financing of $-, $- and $6.0 million for the years ended July 3, 2011, June 27, 2010 and June 28, 2009, respectively.
- The Company paid income taxes of approximately $1.4 million, $1.4 million and $3.0 million, net of tax refunds received, for the years ended July 3, 2011, June 27, 2010 and June 28, 2009, respectively.

See accompanying notes.

Note 1. Description of Business

For more than 30 years, 1-800-FLOWERS.COM, Inc. has been providing customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, 100 percent satisfaction is guaranteed. The Company's BloomNet® 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 ®; cookies and baked gifts from Cheryl's ®; premium chocolates and confections from Fannie May ® Confections Brands; gift baskets and towers from 1-800-BASKETS.COM ®; and wine gifts from The Winetasting Network SM. The Company's Celebrations ® brand is a new premier online destination for fabulous party ideas and planning tips.

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. On January 25, 2010, the Company completed the sale of these businesses; refer to Note 16. Discontinued Operations, for further discussion. Consequently, 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.

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 year 2011, which ended on July 3, 2011, consisted of 53 weeks, while fiscal 2010 and 2009, which ended on June 27, 2010 and June 28, 2009, 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 to 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 at July 3, 2011 and June 27, 2010, 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 July 3, 2011, June 27, 2010 and June 28, 2009, 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 July 3, 2011 and June 27, 2010.

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 quality financial institutions. Concentration of credit risk with respect to accounts receivable is 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 ($1.0 million and $1.5 million at July 3, 2011 and June 27, 2010, 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 $67.9 million, $70.4 million and $70.8 million for the years ended July 3, 2011, June 27, 2010 and June 28, 2009, 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 based upon the fair value of stock-based awards as measured at the grant date. The expense is recorded by amortizing the fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

Derivatives and hedging

The Company does not enter into derivative transactions for trading purposes, but rather to manage its exposure to interest rate fluctuations. The Company manages its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. Management reviews the Company's deferred tax assets to determine whether their value can be realized based upon available evidence. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

There is a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. Specifically, it clarifies that an entity's tax benefits must be "more likely than not" of being sustained, assuming that these positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in the financial statements. If a tax position drops below the "more likely than not" standard, the benefit can no longer be recognized. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for 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.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTBs in income tax expense.

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 excludes the effect of potential common shares (consisting primarily of employee stock options and unvested restricted stock awards) as their inclusion would be antidilutive.

Recent Accounting Pronouncements

In April 2011, the Company adopted ASU 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations." ASU 2010-29 requires an entity to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-29 is effective prospectively for business combinations that occur on or after the beginning of the first annual reporting period beginning after December 15, 2010. As permitted, the Company early adopted this standard. The adoption of ASU 2010-29 did not have an impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This standard results in a common requirement between the FASB and the International Accounting Standards Board (IASB) for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-04 to have a material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of ASU 2011-05 is not expected to have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform to the presentation in the current fiscal year. During the second quarter of fiscal 2010, the Company launched its 1-800-Baskets brand. Products within this business are now being managed within the Gourmet Food & Gift Baskets segment, resulting in a change to our reportable segment structure. Gift basket products, formerly included in the Consumer Floral reportable segment are now included in the Gourmet Food & Gift Baskets segment. These changes have been reflected in the Company's segment reporting for all periods presented.

Note 3 – Net Income (Loss) Per Common Share

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

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	**$ 5,722**	$ (4,221)	$(98,417)
Denominator:			
Weighted average shares outstanding	**64,001**	63,635	63,565
Effect of dilutive securities:			
Employee stock options (1)	**16**	—	—
Employee restricted stock awards	**1,136**	—	—
	—	—	—
Adjusted weighted-average shares and assumed conversions	**65,153**	63,635	63,565
Net income (loss) per common share:			
Basic	**$ 0.09**	$ (0.07)	$ (1.55)
Diluted	**$ 0.09**	$ (0.07)	$ (1.55)

Note (1): The effect of options to purchase 7.0 million, 8.1 million and 8.9 million shares for the years ended July 3, 2011, June 27, 2010, and June 28, 2009, respectively, were excluded from the calculation of net income (loss) per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions

Effective June 29, 2009, the Company began accounting for business combinations under ASC Topic 805 which requires, among other things, the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed; the recognition of acquisition-related costs in the consolidated results of operations; the recognition of restructuring costs in the consolidated results of operations for which the acquirer becomes obligated after the acquisition date; and contingent purchase consideration to be recognized at their fair values on the acquisition date with subsequent adjustments recognized in the consolidated results of operations. The accounting prescribed by ASC Topic 805 is applicable for all business combinations entered into by the Company after June 29, 2009.

Operating results of the acquired entity is reflected in the Company's consolidated financial statements from date of acquisition.

Acquisition of Mrs. Beasley's

On March 9, 2011, the Company acquired selected assets of Mrs. Beasley's Bakery, LLC (Mrs. Beasley's), a baker and marketer of cakes, muffins and gourmet gift baskets for cash consideration of approximately $1.5 million. The acquisition included inventory and certain manufacturing equipment, which was consolidated within the Company's baked goods manufacturing facilities. Approximately $0.6 million of the purchase price was assigned to tradenames that are not subject to amortization, while $0.3 million was assigned to goodwill which is expected to be deductible for tax purposes.

Acquisition of Fine Stationery

On May 10, 2011, the Company acquired selected assets of Fine Stationery Solutions, Inc. (Fine Stationery), a retailer of personalized stationery, invitations and announcements. The purchase price, which included the acquisition of inventory, production equipment and certain other assets, was approximately $3.3 million, including cash consideration of $2.8 million, plus additional consideration based upon achieving specified operating results during fiscal 2012 through 2014, of which the Company recorded $0.5 million, and which is included in other liabilities in the Company's consolidated balance sheet. The acquisition was financed utilizing available cash balances. Of the $1.7 million of acquired intangible assets, $1.6 million was assigned to trademarks that are not subject to amortization, while the remaining acquired intangibles of $0.1 million were allocated to customer related intangibles which are being amortized over the estimated useful life of 3 years. Approximately $1.1 million of goodwill is deductible for tax purposes.

The Company is in the process of finalizing its allocation of the purchase prices to individual assets acquired and liabilities assumed as a result of the acquisitions of Mrs. Beasley's and Fine Stationery. This will result in potential adjustments to the carrying value of their respective recorded assets and liabilities, the establishment of certain additional intangible assets, revisions of useful lives of intangible assets, some of which will have indefinite lives not subject to amortization, and the determination of any residual amount that will be allocated to goodwill. The preliminary allocation of the purchase price included in the current period balance sheet is based on the best estimates of management and is subject to revision based on final determination of asset fair values and useful lives. 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 Mrs. Beasley's and Fine Stationery:

	Mrs. Beasley's Purchase Price Allocation	Fine Stationery Purchase Price Allocation
	(in thousands)	
Current assets	$ 353	$ 360
Intangible assets	585	1,674
Goodwill	308	1,051
Property, plant and equipment	204	269
Total assets acquired	1,450	3,354
Current liabilities	—	20
Total liabilities assumed	—	20
Net assets acquired	$ 1,450	$ 3,334

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 on hand and through borrowings under 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 July 3, 2011, 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 Napco:

	Napco Purchase Price Allocation
	(in thousands)
Current assets	$ 5,119
Property, plant and equipment	3,929
Intangible assets	397
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 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	1,440
Total assets acquired	2,683
Current liabilities	77
Total liabilities assumed	77
Net assets acquired	$ 2,606

Pro forma Results of Operation

The following unaudited pro forma consolidated financial information has been prepared as if the acquisitions of Mrs. Beasley's, Fine Stationery, Napco and Geerlings & Wade had taken place at the beginning of fiscal year 2009. 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		
	July 3, 2011 (pro forma)	June 27, 2010 (pro forma)	June 28, 2009 (pro forma)
	(in thousands, except per share data)		
Net revenues from continuing operations	**$702,168**	$683,182	$736,381
Operating income (loss) from continuing operations	**$ 16,104**	$ 5,389	$(70,309)
Net income (loss) from continuing operations	**$ 6,625**	$ (3,504)	$(68,095)
Net income (loss) per common share from continuing operations			
Basic	**$ 0.10**	$ (0.06)	$ (1.07)
Diluted	**$ 0.10**	$ (0.06)	$ (1.07)

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	
	July 3, 2011	June 27, 2010
	(in thousands)	
Finished goods	**$26,629**	$23,611
Work-in-process	**15,442**	13,390
Raw materials	**9,243**	8,120
	$51,314	$45,121

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
		(in thousands)		
Balance at June 29, 2008	$ 6,165	$ —	$ 99,734	$105,899
Acquisition	—	—	1,438	1,438
Goodwill impairment	—	—	(65,644)	(65,644)
Acquisition related adjustments	(437)	—	(51)	(488)
Balance at June 28, 2009	$ 5,728	$ —	$ 35,477	$ 41,205
Acquisition related adjustments	—	—	6	6
Balance at June 27, 2010	$ 5,728	$ —	$ 35,483	$ 41,211
Acquisitions	1,051	—	308	1,359
Acquisition related adjustments	—	—	(1,023)	(1,023)
Balance at July 3, 2011	**$ 6,779**	**$ —**	**$ 34,768**	**$ 41,547**

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, with the carrying value of the Company's goodwill allocated to its reporting units.

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.

While the Company determined that there was no impairment during either fiscal 2011 or fiscal 2010, 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.

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:

		July 3, 2011			June 27, 2010		
	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**	**$ 5,314**	**$ —**	$ 5,314	$ 5,314	$ —
Customer lists	**3-10 years**	**15,804**	**8,619**	**7,185**	15,695	6,758	8,937
Other	**5-8 years**	**2,538**	**1,770**	**768**	2,388	1,351	1,037
		23,656	**15,703**	**7,953**	23,397	13,423	9,974
Trademarks with indefinite lives	**—**	**33,855**	**—**	**33,855**	31,068	—	31,068
Total intangible assets		**$57,511**	**$15,703**	**$41,808**	$54,465	$13,423	$41,042

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, during the year ended June 28, 2009, 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 July 3, 2011, June 27, 2010 and June 28, 2009 was $2.3 million, $3.0 million, and $3.7 million, respectively. Future estimated amortization expense is as follows: 2012 - $1.7 million, 2013 - $1.6 million, 2014 - $1.3 million, and 2015 - $1.2 million, and thereafter - $2.2 million.

Note 7. Property, Plant and Equipment

	July 3, 2011	June 27, 2010
	(in thousands)	
Land	**$ 2,907**	$ 2,907
Building and building improvements	**9,807**	9,659
Leasehold improvements	**17,193**	16,722
Furniture and fixtures	**4,471**	3,966
Production equipment	**26,192**	22,462
Computer equipment	**57,090**	57,036
Telecommunication equipment	**8,355**	8,523
Software	**99,819**	82,895
	225,834	204,170
Accumulated depreciation and amortization	**175,480**	152,846
	$ 50,354	$ 51,324

Note 8. Long-Term Debt

	July 3, 2011	June 27, 2010
	(in thousands)	
Term loan and revolving credit line (1)	**$ 44,250**	$ 57,000
Obligations under capital leases (2)	**1,488**	3,508
	45,738	60,508
Less current maturities of long-term debt obligations under capital leases	**16,488**	14,801
	$ 29,250	$ 45,707

(1) On April 14, 2009, the Company amended its 2008 Credit Facility with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility provided for term loan debt of $92.4 million and a seasonally adjusted revolving credit line ranging from $75.0 to $125.0 million. The Amended 2008 Credit Facility, effective March 28, 2009, also revised certain financial and non-financial covenants.

On April 16, 2010, the Company entered into a Second Amended and Restated Credit Agreement (the "2010 Credit Facility"). The 2010 Credit Facility included a prepayment of approximately $12.1 million, comprised primarily of the proceeds from the sale of the Home & Children's Gifts segment in January 2010, and thereby reducing the Company's outstanding term loan under the facility to $60 million upon closing. The term loan, which matures on March 30, 2014, is payable in sixteen quarterly installments of principal and interest beginning in June 2010, with escalating principal payments at the rate of 20% in year one, 25% in years two and three and 30% in year four.

In addition, the 2010 Credit Facility extended the Company's revolving credit line through April 16, 2014, and reduced available borrowings from a seasonally adjusted limit which ranged from $75.0 million to $125.0 million to a seasonally adjusted limit ranging from $40.0 to $75.0 million. The 2010 Credit Facility also revised certain financial and non-financial covenants, including maintenance of certain financial ratios. The obligations of the Company and its subsidiaries under the 2010 Credit Facility are secured by liens on all personal property of the Company and its domestic subsidiaries.

Outstanding amounts under the 2010 Credit Facility will bear interest at the Company's option of 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 3.75% for LIBOR loans and 2.00% to 2.75% for ABR loans with pricing based upon the Company's leverage ratio.

As a result of the modifications of its credit facilities, during the years ended June 27, 2010 and June 28, 2009, the Company wrote-off deferred financing costs in the amount of $0.3 million and $3.2 million, respectively.

The Company does not enter into derivative transactions for trading purposes, but rather to hedge its exposure to interest rate fluctuations. The Company manages its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest.

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matures on July 25, 2012. The Company has designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments. The effective portion of the after tax fair value gains or losses on this swap is included as a component of accumulated other comprehensive loss. The ineffective portion, if any, is recorded within interest expense in the consolidated statement of operations.

(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 July 3, 2011 long-term debt maturities, excluding amounts relating to capital leases (refer to Note 17. Commitments and Contingencies), are as follows:

Year	Debt Maturities
	(in thousands)
2012	15,000
2013	15,750
2014	13,500
	$44,250

Note 9. Fair Value Measurements

On June 29, 2009, the Company adopted the newly issued accounting standard for fair value measurements of all non-financial assets and liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The Company's non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. Goodwill and indefinite lived intangibles are also tested for impairment annually, as required under the accounting standards.

Cash and cash equivalents, receivables, accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments. Although no trading market exists, the Company believes that the carrying amount of its debt approximates fair value due to its variable nature.

The authoritative guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's interest rate swap, which is included in other liabilities in the consolidated balance sheet. The fair value is based on forward looking interest rate curves:

	Fair Value Measurements Assets (Liabilities)			
	Balance	Level 1	Level 2	Level 3
	(in thousands)			
Interest rate swap (1) – July 3, 2011	$(263)	—	$(263)	—
Interest rate swap (1) – June 27, 2010	$(557)	—	$(557)	—

(1) Included in other long-term liabilities on the consolidated balance sheet.

Note 10. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has concluded its federal examination by the Internal Revenue Service for its fiscal years 2007 through 2009. Fiscal 2010 and fiscal 2011 remain subject to federal examination. Due to non-conformity with the federal statute of limitations for assessment, certain states remain open from fiscal 2006. 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. The Company does 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		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Current provision (benefit):			
Federal	**$ 543**	$ (213)	$ 1,254
State	**809**	482	54
	1,352	269	1,308
Deferred provision (benefit):			
Federal	**2,152**	(522)	(15,089)
State	**110**	(29)	(1,545)
	2,262	(551)	(16,634)
Income tax expense (benefit)	**$ 3,614**	$ (282)	$ (15,326)

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

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**6.6**	(14.0)	2.4
Non-deductible stock-based compensation	**1.9**	(11.4)	(0.2)
Non-deductible goodwill amortization	**—**	(4.0)	(17.7)
Rate change	**0.1**	—	(1.4)
Tax credits	**(2.9)**	4.3	(0.1)
Tax settlements	**(1.6)**	—	—
Other, net	**(0.4)**	2.0	0.7
	38.7%	11.9%	18.7%

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		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Deferred income tax assets:			
Net operating loss and credit carryforwards	**$ 9,872**	$11,284	$ 4,031
Accrued expenses and reserves	**5,159**	5,035	12,142
Stock-based compensation	**3,452**	3,116	2,871
Other intangibles	**6,257**	7,293	8,370
Deferred income tax liabilities:			
Tax in excess of book depreciation	**(2,143)**	(2,354)	(3,023)
Net deferred income tax assets	**$22,597**	$24,374	$ 24,391

At July 3, 2011, the Company's federal net operating loss carryforwards were approximately $19.7 million, which if not utilized, will begin to expire in fiscal year 2025.

Note 11. 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 to 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 July 3, 2011, $11.8 remains authorized.

Under this program, as of July 3, 2011, the Company had repurchased 2,569,713 shares of common stock for $14.5 million, of which $0.5 million (168,207 shares), $0.9 million (342,821 shares) and $0.8 million (397,899 shares) were repurchased during the fiscal years ended July 3, 2011, June 27, 2010 and June 28, 2009, respectively.

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").

Note 12. Stock Based Compensation

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 July 3, 2011, the Company has reserved approximately 13.6 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		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)		
Stock options	**$1,181**	$1,460	$1,383
Restricted stock awards	**2,780**	2,423	341
Total	**3,961**	3,883	1,724
Deferred income tax benefit	**1,381**	1,245	444
Stock-based compensation expense, net	**$2,580**	$2,638	$1,280

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

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Marketing and sales	**$1,587**	$1,590	$ 465
Technology and development	**791**	795	583
General and administrative	**1,583**	1,498	676
Total	**$3,961**	$3,883	$1,724

Stock-based compensation expense has not been allocated between business segments, but is reflected in Corporate. (Refer to Note 15 – Business Segments.)

Stock Option 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		
	July 3, 2011	June 27, 2010	June 28, 2009
Weighted average fair value of options granted	**$1.23**	$1.71	$1.83
Expected volatility	**68%**	63%	56%
Expected life (in years)	**7.5**	5.6	5.8
Risk-free interest rate	**1.3%**	2.4%	2.2%
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 July 3, 2011:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	6,890,089	$6.50		
Granted	1,329,500	$1.86		
Exercised	(20,000)	$2.44		
Forfeited/Expired	(1,284,054)	$4.00		
Outstanding end of period	6,915,535	$6.08	4.2 years	$1,827
Options vested or expected to vest at end of period	6,576,081	$6.29	3.9 years	$1,409
Exercisable at July 3, 2011	5,044,561	$7.47	2.6 years	$ 74

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 2011 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 July 3, 2011. 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 July 3, 2011, June 27, 2010 and June 28, 2009 was $0.0 million, $0.0 million, and $0.0 million, respectively.

The following table summarizes information about stock options outstanding at July 3, 2011:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 1.69 - 2.87	1,467,500	9.2 years	$ 1.92	90,000	$ 2.57
$ 3.11 - 6.42	2,465,217	3.4 years	$ 4.70	1,997,243	$ 5.03
$ 6.52 - 8.40	1,420,980	3.2 years	$ 6.81	1,418,980	$ 6.81
$ 8.45 - 12.87	1,539,038	1.5 years	$11.46	1,515,538	$11.49
$ 13.05 - 15.77	22,800	0.7 years	$14.13	22,800	$14.13
	6,915,535	4.2 years	$ 6.08	5,044,561	$ 7.47

As of July 3, 2011, the total future compensation cost related to nonvested options not yet recognized in the statement of operations was $1.8 million and the weighted average period over which these awards are expected to be recognized was 5.0 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 July 3, 2011:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	1,661,811	$ 4.35
Granted	2,551,568	$ 1.82
Vested	(475,047)	$ 4.72
Forfeited	(343,071)	$ 3.41
Non-vested at July 3, 2011	3,395,261	$ 2.49

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

July 3, 2011, there was $4.0 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.3 years.

Note 13. Profit Sharing Plan

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All employees who have attained the age of 21 are eligible to participate upon completion of one month 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 suspended all contributions during fiscal years 2011 and 2010. The Company made contributions of $1.1 million, during the fiscal year ended June 28, 2009.

The Company also has 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 July 3, 2011, June 27, 2010 and June 28, 2009 were less than $0.1 million.

Note 14. 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).

Note 15. 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. On January 25, 2010, the Company completed the sale of these businesses; refer to "Discontinued Operations" below for a further discussion. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment, which includes home decor and children's gift products 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 (1) below), which are operated under a centralized management platform, providing services throughout the organization, nor does it include depreciation and amortization, goodwill and intangible impairment, other income, and income taxes, or stock-based compensation and severance and restructuring costs, both of which are included within corporate overhead. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by category.

Net Revenues

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Net revenues (2):			
1-800-Flowers.com Consumer Floral	**$369,198**	$366,516	$394,782
BloomNet Wire Service	**73,281**	61,883	63,515
Gourmet Food & Gift Baskets	**247,574**	239,942	258,710
Corporate (1)	**1,150**	1,071	1,119
Intercompany eliminations	**(1,416)**	(1,702)	(4,176)
Total net revenues	**$689,787**	$667,710	$713,950

Operating Income

	Years Ended		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Category Contribution Margin (2):			
1-800-Flowers.com Consumer Floral	**$ 32,669**	$ 22,141	$ 38,830
BloomNet Wire Service	**20,195**	19,051	18,764
Gourmet Food & Gift Baskets	**28,833**	27,303	24,606
Category Contribution Margin Subtotal	**81,697**	68,495	82,200
Corporate (1)	**(47,569)**	(43,735)	(48,284)
Depreciation and amortization	**(20,715)**	(21,378)	(21,010)
Goodwill and intangible impairment	**—**	—	(85,438)
Operating income (loss)	**$ 13,413**	$ 3,382	$ (72,532)

(1) 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.

(2) Certain balances in the prior fiscal years have been reclassified to conform to the presentation in the current fiscal year. During the second quarter of fiscal 2010, the Company launched its 1-800-Baskets brand. Products within this business are now being managed within the Gourmet Food & Gift Baskets segment, resulting in a change to our reportable segment structure. Gift basket products, formerly included in the Consumer Floral reportable segment are now included in the Gourmet Food & Gift Baskets segment. These changes have been reflected in the Company's segment reporting for all periods presented.

Note 16. 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. On January 25, 2010, the Company completed the sale of the assets and certain related liabilities of its Home & Children's Gifts business. The sales price of the assets was $17.0 million, subject to adjustments for changes in working capital. (Net proceeds amounted to $10.5 million.) During the years ended June 27, 2010 and June 28, 2009, the Company recorded losses related to the sale in the amounts of $5.3 million and $14.7 million, respectively, which is in addition to a goodwill and intangible asset impairment charge of $20.0 million during the year ended June 28, 2009. 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		
	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ —**	$87,852	$ 143,786
Operating loss from discontinued operations (1) (2) (including losses on disposal of $5.2 million and $14.7 million during the years ended June 27, 2010 and June 28, 2009, respectively, and impairment charges of $20.0 million during the year ended June 27, 2009)	**$ —**	$ (1,723)	$ (39,754)
Income tax expense (benefit) from discontinued operations	**$ —**	$ 410	$ (7,838)
Loss from discontinued operations	**$ —**	$ (2,133)	$ (31,916)

(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 14. Restructuring.

(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 losses on disposal of $14.7 million and $5.2 million to write-down the assets of the discontinued business to management's estimate of their fair value.

Note 17. 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, aggregating $6.0 million, are payable in 36 monthly installments of principal and interest commencing in April 2009. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of July 3, 2011 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)	
2012	$1,641	$12,724
2013	6	11,710
2014	—	10,624
2015	—	7,391
2016	—	6,863
Thereafter	—	19,174
Total minimum lease payments	$1,647	$68,486
Less amounts representing interest	159	
	$1,488	

At July 3, 2011, 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)	
2012	$1,666	$1,666
2013	1,082	1,082
2014	535	535
2015	265	265
2016	226	226
Thereafter	143	143
	$3,917	$3,917

Rent expense was approximately $18.4 million, $18.9 million, and $19.9 million for the years ended July 3, 2011, June 27, 2010 and June 28, 2009, respectively.

Litigation

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business.

On December 21, 2007, Plaintiff, Thomas Molnar, on behalf of himself and a putative class, filed suit against the Company claiming false advertising, unfair business practices, and unjust enrichment seeking unspecified monetary damages. The Company admitted to no wrongdoing with respect to this matter, but entered into a settlement agreement with the parties to this matter in order to avoid protracted litigation. The presiding trial Judge's Order Granting Final Approval of the Class Action Settlement and Entry of Judgment was issued May 17, 2010. The Company has sent out the applicable notices to the class members, and the Company accrued for the estimated cost of the settlement of approximately $0.9 million within its general and administrative expenses.

On November 10, 2010, a purported class action complaint was filed in the United States District Court for the Eastern District of New York naming the Company (along with Trilegiant Corporation, Inc., Affinion, Inc. and Chase Bank USA, N.A.) as defendants in an action purporting to assert claims against the Company alleging violations arising under the Connecticut Unfair Trade Practices Act among other statutes, and for breach of contract and unjust enrichment in connection with certain post-transaction marketing practices in which certain of the Company's subsidiaries previously engaged in with certain third-party vendors. Plaintiffs seek to have this case certified as a class action and seek restitution and other damages, all in an amount in excess of $5 million. The Company intends to defend this action vigorously.

In 2009, the United States Senate Committee on Commerce, Science and Transportation commenced an investigation of post-transaction marketing practices and the Company was one of many involved in that investigation. The Company fully complied with all requests from the committee. In addition, the Company received a civil investigative demand from the Attorney General of the State of New York regarding the same activities. The Company fully complied with that investigation, supplied the information sought and voluntarily entered into an Assurance of Discontinuance with the Attorney General's Office in December 2010. As part of the resolution of that matter, the Company paid the sum of $325,000 to a fund to be used for consumer education, consumer redress and costs and fees of the investigation.

There are no assurances that additional legal actions will not be instituted in connection with the Company's former post-transaction marketing practices involving third party vendors nor can we predict the outcome of any such legal action.

Note 18. Subsequent Events

Acquisition of Flowerama

On August 1, 2011, the Company completed the acquisition of Flowerama of America, Inc. (Flowerama), a franchisor and operator of retail flower shops under the Flowerama trademark for cash consideration of approximately $5.0 million. Revenues for the most recently completed fiscal year associated with the acquired business were approximately $4.0 million.

Disposition of the Winetasting Network Fulfillment Operations

On September 6, 2011, the Company completed the sale of certain assets of its WinetastingNetwork wine fulfillment services business. The sale price consisted of $12.0 million of cash proceeds at closing, with the potential for an additional $1.5 million upon achieving specified revenue targets during the two year period following the closing date. Revenues for the most recently completed fiscal year associated with the discontinued business were approximately $18.2 million.

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 July 3, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended July 3, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 July 3, 2011 and June 27, 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 3, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, the Company adopted the guidance issued in Financial Accounting Standards Board ("FASB") Statement No. 141(R), "Business Combinations" (codified in FASB Accounting Standards Codification Topic 805, "Business Combinations") on June 29, 2009.

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 July 3, 2011, 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 16, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Jericho, New York
September 16, 2011

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 July 3, 2011. 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 concluded that, as of July 3, 2011 the Company's internal control over financial reporting is effective.

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 July 3, 2011; their report is included below.

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

William E. Shea
Senior Vice President,
Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended July 3, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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 July 3, 2011, 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.

In our opinion, 1-800-FLOWERS.COM, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of July 3, 2011, based on the COSO criteria.

We also have 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 July 3, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended July 3, 2011 and our report dated September 16, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Jericho, New York
September 16, 2011

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 July 3, 2011 and June 27, 2010.

	High	Low
Year ended July 3, 2011		
June 28, 2010 – September 26, 2010	$ 2.56	$ 1.52
September 27, 2010 – December 26, 2010	$ 2.75	$ 1.67
December 27, 2010 – March 27, 2011	$ 3.22	$ 2.18
March 28, 2011 – July 3, 2011	$ 3.84	$ 2.26
Year ended June 27, 2010		
June 29, 2009 – September 27, 2009	$ 3.52	$ 1.73
September 28, 2009 – December 27, 2009	$ 4.88	$ 2.05
December 28, 2009 – March 28, 2010	$ 2.75	$ 1.78
March 29, 2010 – June 27, 2010	$ 3.66	$ 2.17

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 1, 2011, there were approximately 302 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 1, 2011, there were approximately 14 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

36,868,450 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 1, 2011, 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 to 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 July 3, 2011, $11.8 million remains authorized but unused.

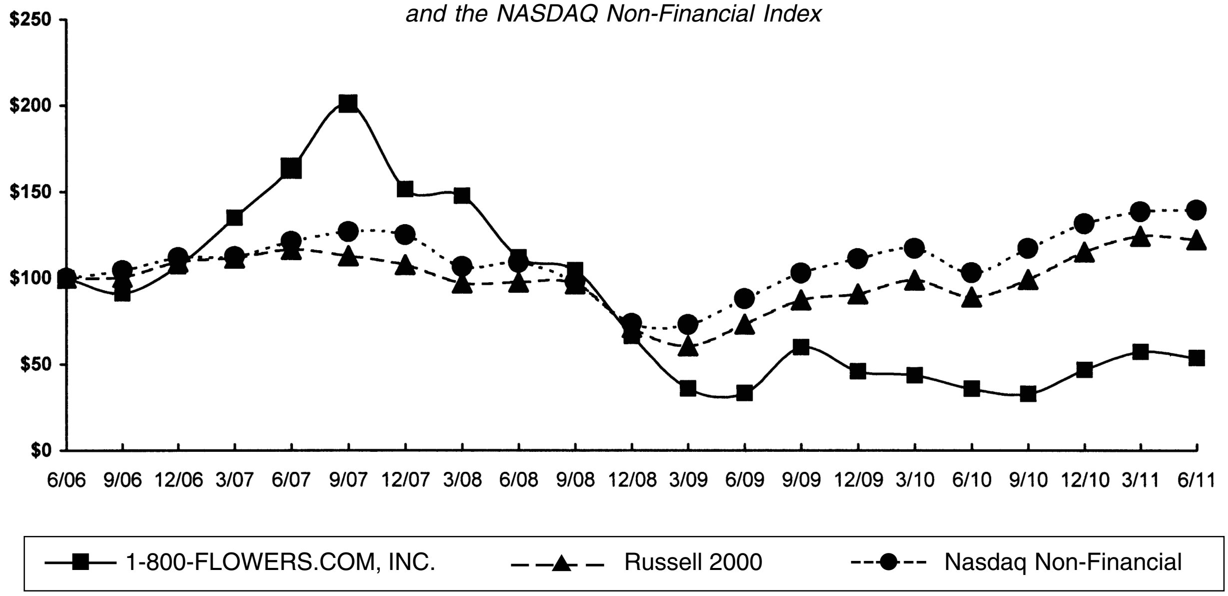
Under this program, as of July 3, 2011, the Company had repurchased 2,569,713, shares of common stock for $14.5 million, of which $0.5 million (168,207 shares), $0.9 million (342,821 shares) and $0.8 million (397,899 shares) were repurchased during the fiscal years ending July 3, 2011, June 27, 2010 and June, 28, 2009, respectively.

The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended July 3, 2011, which includes the period June 28, 2010 through July 3, 2011:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(in thousands, except average price paid per share)			
6/28/10 - 7/25/10	—	$ —	—	$12,278
7/26/10 - 8/22/10	7.7	$1.69	7.7	$12,265
8/23/10 - 9/26/10	1.7	$2.35	1.7	$12,261
9/27/10 - 10/24/10	19.0	$1.76	19.0	$12,228
10/25/10 - 11/21/10	26.9	$1.78	26.9	$12,180
11/22/10 - 12/26/10	—	$ —	—	$12,180
12/27/10 - 1/23/11	—	$ —	—	$12,180
1/24/11 - 2/20/11	0.8	$2.74	0.8	$12,178
2/21/11 - 3/27/11	—	$ —	—	$12,178
03/28/11 - 04/24/11	—	$ —	—	$12,178
04/25/11 - 05/22/11	112.1	$3.15	112.1	$11,825
05/23/11 - 07/3/11	—	$ —	—	$11,825
Total	168.2	$2.70	168.2	

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 6/30/06 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
One Jericho Plaza
Suite 105
Jericho, New York 11753
(516) 336-0100

SEC COUNSEL
Cahill Gordon & 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 may be obtained by visiting the Investor Relations section at www.1800flowers.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

1·800·FLOWERS.COM, INC.

One Old Country Road, Suite 500, Carle Place, NY 11514

(516) 237-6000 • www.1800flowers.com