1·800·FLOWERS.COM, INC.

2012 Annual Report

Delivering Smiles

Positive Trends

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. 1-800-FLOWERS.COM's Mobile Flower & Gift Center was named winner of the Mobile Shopping Summit's "Best Mobile Site of 2011." 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. 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); incredible, carved fresh fruit arrangements from FruitBouquets.com℠ (www.fruitbouquets.com); wine gifts from Winetasting.com® (www.winetasting.com); top quality steaks and chops from Stock Yards® (www.stockyards.com); as well as premium branded customizable invitations and personal stationery from FineStationery.com® (www.finestationery.com). The Company's Celebrations® brand (www.celebrations.com) is a premier online destination for fabulous party ideas and planning tips. 1-800-FLOWERS.COM, Inc. is involved in a broad range of corporate social responsibility initiatives including continuous expansion and enhancement of its environmentally-friendly "green" programs 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.

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.*

"Imagine The Smiles"

Throughout fiscal 2012 we expanded our industry leading position in Social and Mobile with innovative customer engagement programs on Facebook, Twitter, Google+, Pinterest and with thousands of influential bloggers. These programs enhanced the relevance of our brand messaging by reaching customers via their preferred modes of communication – at the right time and with the right products to help them deliver smiles. Building on this concept, we kicked off fiscal 2013 by launching our "Summer of A Million Smiles" campaign – a community-based outreach program involving associates across all of our brands, as well as our BloomNet Florists, participating in volunteer efforts in their local neighborhoods and then sharing their smile stories with our customers via our growing social networks. The Summer of A Million Smiles program illustrates our holistic approach to integrating Social and Mobile communications into all facets of our customer engagement. And, we're happy to report, we have significantly exceeded our goal of delivering one million smiles and are looking forward to expanding our Imagine The Smiles initiative to deliver many millions more in the years to come.

Financial Highlights

(From Continuing Operations[1])

	JULY 1, 2012	JULY 3, 2011	JUNE 27, 2010	JUNE 28, 2009	JUNE 29, 2008
	Years Ended (in millions, except percentages and per share data)				
Total Net Revenues	$716.3	$671.6	$653.4	$ 703.5	$725.8
Gross Profit Margin	41.0%	41.2%	40.2%	39.6%	42.7%
Operating Expense Ratio	38.3%	39.2%	38.9%[2]	37.1%[2]	36.9%
EBITDA	$ 42.8	$ 33.4	$ 25.0	($ 56.4)	$ 58.5
Adjusted EBITDA, excluding stock based compensation	$ 43.8[3]	$ 37.3	$ 32.7[3]	$ 38.8[3]	$ 62.1
EPS	$ 0.20	$ 0.08	($ 0.02)	($ 1.01)	$ 0.36

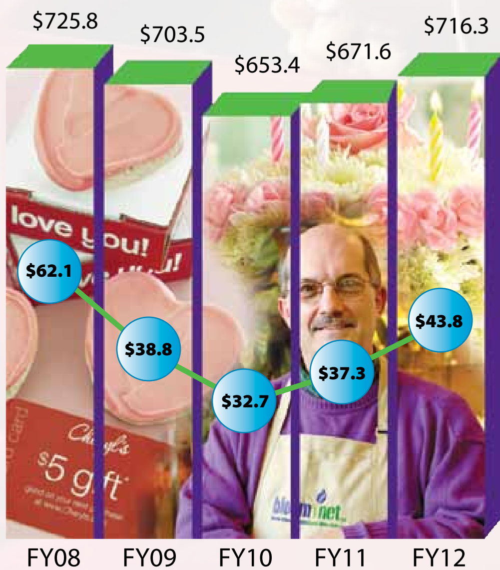
(1) On September 6, 2011, the Company, through the Winetasting Network subsidiary, completed the sale of certain assets of its wine fulfillment services business. During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to 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 this business. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment and its wine fulfillment services business as discontinued operations for all periods presented. Refer to Note 16. Discontinued Operations, of the enclosed Financial Report Insert for further discussion.

(2) The Company's fiscal 2010 and 2009 operating expenses include a number of non-recurring items which impact comparability. These items were excluded from the calculation of the operating expense ratio in the table above and throughout the enclosed Financial Highlights.

(3) Fiscal 2012, 2010 and 2009 EBITDA is adjusted for non-recurring charges which impact comparability. Refer to the Company's Annual Report on Form 10-K for a reconciliation of net income (loss) from continuing operations to EBITDA, EBITDA excluding stock-based compensation and Adjusted EBITDA excluding stock-based compensation. These items were excluded from the calculation of Adjusted EBITDA excluding stock-based compensation in the table above and throughout the enclosed Financial Highlights.

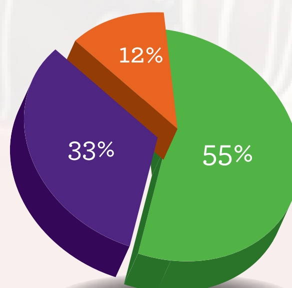
Total Revenues

(From Continuing Operations[1])
(In Millions)



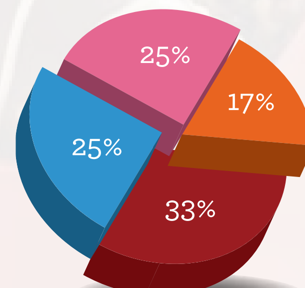
2012 % Revenues

by Category



- *BloomNet® Wire Service*
- *1800Flowers.com® Consumer Floral*
- *Gourmet Food & Gift Baskets*

by Season



- *Jul-Sep (Fiscal 1st Quarter)*
- *Oct-Dec (Fiscal 2nd Quarter)*
- *Jan-Mar (Fiscal 3rd Quarter)*
- *Apr-Jun (Fiscal 4th Quarter)*

Financial Report Insert

See inside rear cover pocket

Fiscal 2012 Achievements

- Grew revenues in all three business segments with total revenues up 6.6 percent to $716.3 million.
- Continued positive trends for Consumer Floral segment, including 7.9 percent revenue growth and double-digit growth in both gross profit margin and contribution margin.
- Grew consolidated EBITDA (excluding stock-based compensation) by $10.3 million, or 27.6 percent, to $47.6* million (adjusted EBITDA, excluding stock-based compensation, was $43.8 million).
- Grew EPS 150 percent to $0.20* per share.
- Grew Free Cash Flow 65.9 percent, or $9.0 million, to $22.9* million.

(*EBITDA, EPS and Free Cash Flow for fiscal 2012 included a pre-tax gain of $3.8 million from the sale of 17 Fannie May retail stores to a new franchisee during the year.)

To Our Shareholders

Fiscal 2012 was another very good year for our company. The strong top and bottom line results we achieved, coming on top of fiscal 2011's strong results, reflect the positive trends in all three of our business segments that we have been seeing for several years now.

These positive trends, including solid revenue growth, reflecting increases in both average order value and unit sales, as well as enhanced operating expense ratio and strong second-half improvement in gross profit margin, enabled us to again deliver double digit EBITDA and EPS growth for the year. We achieved these results by continuing to focus on managing those aspects of our business that we can control, including our focus on:

- Growing order volumes with efficient marketing spending across traditional channels as well as the increasingly important areas of Social and Mobile where we have built a leadership role through our early investments and initiatives;
- Growing average order value through product development efforts focused on truly original products that resonate with our customers;
- Growing gross margins in our Consumer Floral business through a combination of marketing messages that tell our customers to "Wow" their recipients and "Never Settle For Less," along with disciplined promotional activities and enhanced operational efficiencies, and
- Reducing our operating expense ratio by leveraging our operating platform throughout the enterprise.

Strong Financial and Customer Results

Total consolidated revenues grew 7.6 percent to $716.3 million in fiscal 2012 on a comparable, non-GAAP basis (excluding the 53rd week in fiscal 2011, compared with 52 weeks in fiscal 2012). Gross Profit Margin, which was 41.0 percent for the year, compared with 41.2 percent in the prior year, increased 100 basis points during the second half of the fiscal year – a positive trend that we expect to build on in fiscal 2013. And operating expense ratio improved 90 basis points to 38.3 percent.

In addition to significant increases in EBITDA and EPS for fiscal 2012, we also grew Free Cash Flow 65.9 percent, or $9.0 million, to $22.9 million.

Along with strong financial results, during fiscal 2012 we also achieved a number of important strategic objectives:

- We executed a 62-store deal with a leading national franchise operator for our Fannie May Fine Chocolates business, significantly accelerating our efforts to expand this iconic brand nationally;
- We expanded our floral franchising initiative where we continue to hear from BloomNet florists who would like to elevate their relationship with us by becoming 1-800-flowers franchisees;
- We sold a non-strategic asset in our winery services business, providing $12 million in cash;
- We launched our FruitBouquets.com business – a new line of beautifully hand-crafted, fresh fruit arrangements – that we believe represents a significant growth opportunity for us and for our franchisees;
- We continued to plant seeds for international growth with an equity investment in Flores Online in Brazil. Combined with our ongoing investment in iFlorist in the UK, we are excited about the opportunities we see internationally as our customers become increasingly global;
- We continued to evolve our 1-800-Baskets business where we see customers increasingly embracing our expanded product offering for their everyday gifting needs – and – where we've launched a new baskets program for our BloomNet professional florists, enhancing their same-day gifting offering;
- We made changes in management and our sourcing and sales processes within our wholesale baskets operations, resulting in our outlook for a return to positive growth in sales and contribution margin in fiscal 2013, and
- We continued to make investments in our multi-branded portal and our industry leading Social and Mobile programs to further enhance customer engagement and customer experience.

Consumer Floral: Extending Market Leadership

During fiscal 2012, we extended our market leadership in our core Consumer Floral business. For the year, we grew revenues nearly eight percent, or $29 million to roughly $400 million. Gross margin and average order value in this category increased again, with gross margin up 90 basis points on top of fiscal 2011's significant gains and average order value up five percent to $71.00 for the year. These results illustrate the effectiveness of our marketing and merchandising programs focused on engaging directly with our customers to deepen our relationships and help them deliver smiles.

In Merchandising, our focus on new product development – working directly with BloomNet professional florists in our Design Counsel – has resulted in several hit products, including:

- Our expanded line of "A-Dog-Able" floral baskets – the irresistible floral puppies that have grown into a tremendous hit with our customers,
- Our "new and improved" Happy Hour collection of handdesigned floral cocktails that are perfect for toasting any celebration,
- Our new, exclusive Vase Expressions line of uniquely customizable vases, including easy-to-use photo and graphics uploading capabilities for truly personalized gifting, and
- Our "store-within-a-store" collections featuring exclusive "artisanal" offerings of orchids, sunflowers, roses and even one-of-a-kind bonsai plants for the true gifting connoisseur.

Our Mantra: Delivering Smiles

In Marketing, we continue to focus on deepening our relationships with our customers through our messaging that emphasizes our "Delivering Smiles" mantra, as well as our floral heritage. Throughout the year we expanded our industry leading position in Social and Mobile with innovative customer engagement programs on Facebook, Twitter, Google+, Pinterest and with thousands of influential bloggers. These programs enhanced the relevance of our brand messaging by reaching customers via their preferred modes of communication, at the right time and with the right products to help them deliver smiles.

BloomNet Growing its Market Position

Also within Floral, our BloomNet wire service achieved double-digit top and bottom-line growth for fiscal 2012, representing a second consecutive year of strong results. BloomNet has become the growth and innovation leader in the wire service business by providing florists with exciting, incremental sales opportunities, such as:

- our new Fruit Bouquets line,
- our same-day gift baskets program,
- our exclusive Essentials line of vases and glassware,
- our Floriology magazine, and
- our print and unique digital directories, with enhanced search and advertising capabilities.

In addition, BloomNet offers industry-accredited educational and "community building" programs through our training center in Jacksonville, Florida and in seminars across the country. These programs are designed to help florists increase their customer traffic and enhance their profitability. As a result of these efforts, BloomNet is growing its market position as it deepens its relationships with professional florists throughout the country.

Ecommerce Leads the Way for Gourmet Food and Gift Baskets

During fiscal 2012, our Gourmet Food and Gift Baskets segment achieved increased total revenues reflecting strong ecommerce growth in our Cheryl's, 1-800-Baskets.com and The Popcorn Factory brands as well as wholesale channel growth for our Fannie May Fine Chocolates business. This growth more than offset the loss of revenues associated with the sale of 17 Fannie May retail stores during the second quarter of the year.

The strategic sale of the stores was part of a 62-store franchise deal with a leading national franchise operator that includes an additional 45 new stores to be opened over three years. This deal significantly accelerated our Fannie May franchising program and, in addition to other franchise agreements already signed or in development, will provide multiple benefits to the iconic Fannie May brand including enhanced growth opportunities across our ecommerce, retail and wholesale channels.

The positive growth in this segment was achieved despite continued headwinds associated with our wholesale baskets business during the year. Both revenues and profitability were impacted again in fiscal 2012 by reduced order volumes. Fortunately, for fiscal 2013, we will see a rebound in this business in terms of revenue and contribution growth based on increased orders received from key accounts.

Also in this category, during the first quarter of the year we completed the sale of our winery services business – a non-strategic asset – receiving $12 million in cash and recording an after-tax gain of $4.5 million. This enabled us to further strengthen our balance sheet and to focus on growing our direct-to-consumer wine business under the Winetasting.com and Napa Connection brands.

Multi-Channel/ Multi-Brand Retail Strategy

We have a multi-channel business model that emphasizes ecommerce while including wholesale and a local retail presence, both company-owned and increasingly through franchising, as illustrated by our Fannie May franchise store deal.

During fiscal 2012, we continued the evolution of our ecommerce platform and expanded our cross-brand marketing and merchandising capabilities via the launch of our multi-brand website, adding tabs for Fannie May, Cheryl's and The Popcorn Factory brands. This effort builds on the success of our 1-800-Baskets.com brand by further leveraging the significant web traffic and multi-million customer base of our core 1-800-FLOWERS.COM brand. Results from this initiative, while still early, have been very encouraging in terms of increased cross-brand awareness and positive trends in customer traffic and conversion rates for our Gourmet Food gift brands.

On the Social front, we were very pleased to be cited in media reports throughout the year as a leader in the use of social channels to enhance engagement and deepen our customer relationships. We believe our initiatives with Facebook, Google+, Twitter, Pinterest and other leaders in the Social space, illustrate the strength of the 1-800-FLOWERS.COM brand – and our family of great Gourmet Food gift brands – as well as our relevance as a leading gift destination for the many millions of users of these services.

On the Mobile front, during fiscal 2012, we continued to build on the leadership position the 1-800-FLOWERS.COM brand has in Mobile Commerce, adding new features and functionality to our award winning mobile commerce site. We are using our experience in this area to expand our mobile footprint, rolling out enhanced mobile sites for our Gourmet Food and Gift Basket brands in fiscal 2013.

Solid Balance Sheet and Growing Cash

Continuing our focus on further strengthening our balance sheet, we finished fiscal 2012 virtually net-debt free with a year-end cash and investments position of $28.9 million, up from $21.4 million at the end of fiscal 2011, no borrowings under our revolving credit line and long-term debt of approximately $29.3 million. During fiscal 2013, we expect to further reduce our term debt by an additional $16 million through regularly scheduled quarterly payments while growing our cash position.

Regarding Guidance

For fiscal 2013, we anticipate achieving revenue growth across all three of our business segments resulting in consolidated revenue growth for the year in the mid-single-digit range. In addition, we expect to achieve continued improvements in gross profit margin and operating leverage during the year. As a result, we anticipate growing EBITDA and EPS on a comparative basis (adjusted for the gain from the sale of 17 Fannie May stores) at a double-digit pace in fiscal 2013. In terms of Free Cash Flow, we expect to again exceed $20 million for the year.

Looking Ahead: Building on Positive Trends

As we enter fiscal 2013, we feel good about:

- the positive trends we are seeing across all three of our business segments in terms of revenue growth, enhanced gross margins and increasing contributions;
- our financial strength, including our balance sheet with essentially zero net debt and an outlook for growing cash flows, which positions us well to invest strategically for future growth;
- and the deepening relationships we have with our customers based on our unique ability to help them deliver smiles.

We believe the positive trends and the initiatives we've described to you across all of our brands and businesses will enable us to build value for all of our stakeholders in fiscal 2013 and beyond. We thank you for your continued support.

Jim McCann
Chairman and CEO

Chris McCann
President

2013 January

SUNDAY	MONDAY	TUESDAY
		1 *New Year's Day*
6	7	8
13	14	15
20	21 *Martin Luther King Jr.'s Birthday (observed)*	22
27	28	29

Continuing its focus on providing customers with truly original new products, 1-800-FLOWERS.COM® has introduced Fannie May® Berries, incredibly huge, fresh strawberries dipped in REAL Fannie May fine chocolate. Building on the iconic stature of a brand consumers have enjoyed since 1920, these indulgent treats offer several flavor combinations, including such Fannie May favorites as Trinidad® White Chocolate and Pixies® Milk Chocolate Caramel and Nuts as well as soon to be favorites: Sea Salt Milk Chocolate Caramel, Pink & White Champagne and Toasted Coconut. During fiscal 2013, Fannie May Berries will be featured across all 1-800-FLOWERS.COM brand websites and marketing materials to maximize customer awareness of these great new gift treats.

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11	12
16	17	18	19
23	24	25	26
30	31		

2013 February

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11	12
17	18 *Presidents' Day*	19
24	25	26

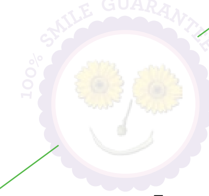
In fiscal 2012, BloomNet® enhanced its position as the floral industry's leading wire service innovator. Thousands of local, professional florists around the country look to BloomNet for diverse services, trend-forward products and cutting edge technology. During the past year, BloomNet continued to deepen its relationships with professional florists, broadening incremental sales opportunities for florists by offering such new innovations as Fruit Bouquets along with a same-day gift baskets program and an expanded line of exclusive "Essentials" vases and glassware. Adding to the business advantages for florists is the stringent BloomNet Quality Care Program that strives to assure total customer satisfaction on all floral wire orders – helping to drive repeat sales.

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

2013
March

1-800-FLOWERS.COM® is committed to providing a superior gift buying experience for every customer. This commitment is embodied by the Company's 100%, no-questions-asked "Smile Guarantee" backed by a caring team of associates obsessed with service. Only the freshest and most beautiful flowers as well as the finest gourmet foods are selected and same-day delivery is always available. Customers can also depend day and night on a uniquely flexible and responsive service platform that includes hundreds of home agents ready to assist with any customer need, 24x7x365. All of the above is underscored by the fact that in fiscal 2012, for the third year in a row, 1-800-FLOWERS.COM was rated number one versus competitors for customer satisfaction by STELLAService.

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11	12
17 St. Patrick's Day	18	19
24 / Easter 31	25 Passover Begins at Sunset	26



WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2
6	7	8	9
13	14	15	16
20 *First Day of Spring*	21	22	23
27	28	29	30

2013

April

During fiscal 2012, the BloomNet® wire service remained dedicated to reinvigorating the sense of community that was once a hallmark of the floral industry. An important component in this effort is BloomNet's Floriology® magazine. Each monthly issue of the magazine is devoted to providing techniques, tips and suggestions designed to help florists grow their businesses. Many articles are submitted by florists themselves, sharing their successful product designs and business insights. Also providing valuable insights to florists is the industry-accredited BloomNet Floriology Institute, which offers a diverse range of educational courses that can help florists expand design skills and enhance business practices. Classes are taught at BloomNet's Jacksonville, Florida Floriology Institute as well as in seminars held across the nation where florists get together, share ideas and inspire each other.

SUNDAY	MONDAY	TUESDAY
	1 *April Fools Day*	2
7	8	9
14	15	16
21	22 *Administrative Professionals' Week Begins*	23
28	29	30

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

100% SMILE GUARANTEE

2013 May

1-800-FLOWERS.COM® extended market leadership in its core Consumer Floral business during fiscal 2012 by continuing to embrace its "floristness." The Company works directly with professional BloomNet florists in its Design Council – and with customer panels – to develop truly original products that resonate with gift givers and "wow" their recipients. Among these innovative products is the exclusive new Vase Expressions line that customers can customize with personal photos and graphics. Also introduced in fiscal 2012 was an expanded assortment of a-DOG-able™ arrangements featuring irresistible floral puppies, as well as new additions to the "Happy Hour Collection"™ of floral cocktails, and exclusive store-within-a-store collections showcasing roses, orchids, sunflowers and bonsai plants.

SUNDAY	MONDAY	TUESDAY
5 *Cinco de Mayo*	6	7
12 *Mother's Day*	13	14
19	20	21
26	27 *Memorial Day (observed)*	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3 *National Bring Your Mom to Work Day*	4
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

June 2013

1-800-FLOWERS.COM® increased its social media initiatives in fiscal 2012 and carried the momentum into fiscal 2013 by launching the "Summer of A Million Smiles" campaign, engaging with local communities through volunteer efforts and sharing inspirational stories via various social networks. The Company also continued its strong partnership with Facebook and has leveraged that relationship to be part of several major Facebook product launches including the logout ad unit, the new FBX ad exchange and newsfeed mobile ads. 1-800-FLOWERS.COM was also recognized for its innovative performance-based advertising on Facebook and was selected to be one of the few launch partners for Facebook's maiden foray into ecommerce as part of the Facebook Gifts platform. 1-800-FLOWERS.COM also amplified its engagement across other social networks including Twitter, Google+ and Pinterest. The Company continues to win critical acclaim from national publications for its advancements in the social space.

SUNDAY	MONDAY	TUESDAY
2	3	4
9	10	11
16 *Father's Day*	17	18
23 / 30	24	25

facebook

Search for people, places and things

Summer of a Million Smiles

Help us deliver one million smiles this Summer

1-800-Flowers.com

487,248 likes · 11,167 talking about this

Like Message

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14 *Flag Day*	15
19	20	21 *First Day of Summer*	22
26	27	28	29

July 2013

In fiscal 2012, 1-800-FLOWERS.COM® expanded its floral franchising reach. Adding to the Company's growing number of franchisees are many BloomNet® florists who are seeking to strengthen their sales opportunities by leveraging merchandising and advertising capabilities. Franchisees also benefit from strong national brand awareness. Complementing the growth of floral franchising, 1-800-FLOWERS.COM accelerated the expansion of its Fannie May® Fine Chocolates business during fiscal 2012 by completing a 62-store transaction with a leading national franchise operator. As a multi-channel gift destination, 1-800-FLOWERS.COM recognizes that franchised stores are a key element in building brand visibility across several channels, providing a great way to connect with the local community while increasing traffic to the Company's ecommerce sites.

SUNDAY	MONDAY	TUESDAY
	1	2
7	8	9
14 Bastille Day	15	16
21 Parent's Day	22	23
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4 *Independence Day* 100% SMILE GUARANTEE	5	6
10	11	12	13
17	18	19	20
24	25	26	27
31			

2013

August

During fiscal 2012, 1-800-FLOWERS.COM® enhanced its leadership position in the rapidly growing mobile channel. The Company rolled out a new tablet-optimized site for the Android platform and also remained on the forefront of next generation mobile payment technologies. The Company's mobile innovations led to its selection as the exclusive gifting launch partner for both Google Wallet and Expedite. 1-800-FLOWERS.COM is increasing its momentum in mobile marketing with innovative programs such as achievement rewards for mobile games and "geo-fencing" to help drive foot traffic to franchise stores. The Company continues to grow its mobile footprint across all its brands. For example, three new sites have been introduced to support mobile commerce for Cheryl's® baked goods, The Popcorn Factory® and Fannie May® Fine Chocolates.

SUNDAY	MONDAY	TUESDAY
4	5 National Friendship Week Begins 100% SMILE GUARANTEE	6
11	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	23	24
28	29	30	31

2013 September

In fiscal 2012, 1-800-FLOWERS.COM® launched its multi-branded gifting portal strategy, building upon the successful launch of its 1-800-Baskets.com® business as a dual-branded website. The strategy leverages the high web traffic and multi-million customer base of the core 1800Flowers.com® brand. The result is a comprehensive new gifting portal that significantly increases cross-brand awareness and offers customers a broad range of gift choices for all their celebratory occasions – all from one convenient destination. Featured on the new multi-branded website are tabs that take customers directly to the 1-800-Baskets.com site as well as to Fruit Bouquets and iconic food gift brands including Cheryl's® baked goods, Fannie May® Fine Chocolates and The Popcorn Factory®.

SUNDAY	MONDAY	TUESDAY
1	2 *Labor Day*	3
8 *Grandparents Day*	9	10
15	16	17
22 *First Day of Fall*	23	24
29	30	

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4 *Rosh Hashanah Begins at Sunset*	5	6	7
11 *Patriot Day*	12	13 *Yom Kippur Begins at Sunset*	14
18	19	20	21
25	26	27	28

2013 October

SUNDAY	MONDAY	TUESDAY
		1
6	7	8 *National Children's Day*
13	14 *Columbus Day (Observed)*	15
20	21	22
27	28	29

As part of its good-better-best merchandising strategy, 1-800-FLOWERS.COM® continued to focus in fiscal 2012 on creating various price points that make it easy for customers to choose the perfect gift for all the important people in their lives. Building on the tremendous success of its Cheryl's® $5 delivered "smile cookie," the Company expanded this concept across all of its brands – enabling customers to connect more frequently with a broader range of friends and family. Besides being featured on the Cheryl's brand site, the extensive Cheryl's $5 smile cookie offering is highlighted on the 1-800-FLOWERS.COM Facebook page where users have embraced the concept as a thoughtful and cost-effective way to send a tangible (and edible!) smile to friends.

celebrations

Make this Halloween count.
Create now
Make it matter.

CELEBRATIONS.COM | DIGITAL INVITATIONS | CELEBRATE CRATE | PAPER INVITES AND MORE | Sign in with Facebook | Create Account | Sign In | SEARCH

OCCASIONS | FALL | BIRTHDAYS | KIDS | RECIPES | CRAFTS

VIDEOS | PHOTOS | PARTY STORE | SHOPPING LIST | RECIPE SEARCH | MEAL PLANNER

Join the Party!

Perfectly Pickled Tailgating Recipes

Experiment with this Skinny Turkey Reuben and other pickle packed favorites!

Inspirations To Your Inbox

Sign up for our newsletter and receive recipes, party ideas and expert entertaining tips by email.

GET OUR NEWSLETTER

Make this Halloween count.

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11	12
16 *National Bosses Day*	17	18	19 *Sweetest Day*
23	24	25	26
30	31 *Halloween*		

2013 November

SUNDAY	MONDAY	TUESDAY
3	4	5 *Election Day*
10	11 *Veterans' Day*	12
17	18	19
24	25	26

The Business Gift Services division of 1-800-FLOWERS.COM® offers the widest possible spectrum of corporate gifting ideas...including fresh flowers, Fruit Bouquets and gourmet selections from 1-800-Baskets.com®, Cheryl's® baked goods, Fannie May® Fine Chocolates and Fannie May® Berries as well as personalized popcorn tins from The Popcorn Factory® featuring corporate logos. During fiscal 2012, the division further enhanced its comprehensive relationships with leading companies nationwide, becoming an integral part of their corporate communications systems and intranets. As a result, 1-800-FLOWERS.COM has become the de-facto source for business gifting for millions of corporate customers – providing gift choices for a myriad of occasions ranging from sales forces showing appreciation to clients, to employee milestones such as service anniversaries.

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2
6	7	8	9
13	14	15	16
20	21	22	23
27 *Hanukkah Begins at Sunset*	28 *Thanksgiving Day*	29	30

2013
December

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15	16	17
22	23	24
29	30	31

Setting apart the 1-800-FLOWERS.COM® gift offering in the gourmet category is its distinct ability to combine food items to satisfy a vast variety of customer tastes and desires. For instance, the Company offers exclusive gift bundles including premium aged steaks from its Stock Yards brand paired with fine wines and tempting desserts from Fannie May® as well as Cheryl's® baked goods. Customers also receive suggestions about which wines and desserts best complement their steak selections, making it easy to place orders. And customers can finish off their gourmet gift dinner with decadent Fannie May Berries featuring tremendous, fresh strawberries dipped in REAL Fannie May Fine Chocolate.

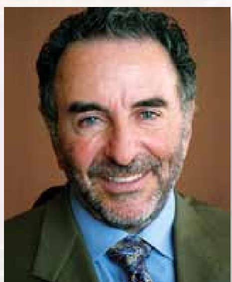
WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5	6	7
11	12	13	14
18	19	20	21 *First Day of Winter*
25 *Christmas Day*	26 *First Day of Kwanzaa*	27	28

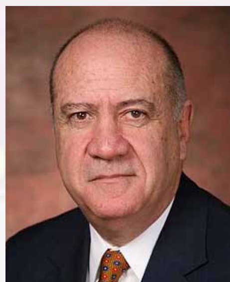
Board of Directors

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

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

Geralyn R. Breig
Former President
Avon North America


James A. Cannavino
IBM Company
Senior Vice President
Retired


Eugene F. DeMark
Area Managing Partner
KPMG LLP, Retired
BankUnited Director

Leonard J. Elmore
Network Television
Sports Analyst
Attorney at Law

John J. Conefry
Vice Chairman
Astoria Financial Corporation

Lawrence V. Calcano
Chief Executive Officer
i1 Biometrics, Inc.
Chairman, Bite Tech

Larry Zarin
Senior Vice President,
Chief Marketing Officer
Express Scripts, Inc.

Corporate Officers

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

Christopher G. McCann
President and President Floral Group
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,
General Counsel and
Corporate Secretary
1-800-FLOWERS.COM

Stephen Bozzo
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 2012

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 1, 2012, July 3, 2011 and June 27, 2010 and the consolidated balance sheet data as of July 1, 2012 and July 3, 2011, 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 28, 2009 and June 29, 2008, and the selected consolidated balance sheet data as of June 27, 2010, June 28, 2009, and June 29, 2008, 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 Flowerama in August 2011, selected assets of Fine Stationery, Inc. in May 2011 and Mrs. Beasley's Bakery LLC in March 2011. The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. On September 6, 2011, the Company, through the Winetasting Network subsidiary, completed the sale of certain assets of its non-strategic wine fulfillment services business in order to focus on its core Direct-to-Consumer wine business. 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, and on January 25, 2010, completed the sale of this business. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment and its wine fulfillment services business, which had previously been included within its Gourmet Foods & Gift Baskets category, 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 1, 2012	July 3, 2011	June 27, 2010	June 28, 2009(1)	June 29, 2008
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues:					
E-commerce	**$515,205**	$485,378	$469,968	$498,519	$584,174
Other	**201,052**	186,227	183,402	205,004	141,604
Total net revenues	**716,257**	671,605	653,370	703,523	725,778
Cost of revenues	**422,298**	395,161	390,623	425,074	416,200
Gross profit	**293,959**	276,444	262,747	278,449	309,578
Operating expenses:					
Marketing and sales	**182,512**	173,531	171,231	174,525	181,509
Technology and development	**20,479**	20,168	17,666	20,655	19,181
General and administrative	**51,972**	49,360	48,866	48,690	50,369
Depreciation and amortization	**19,576**	20,271	20,287	19,748	16,582
Goodwill and intangible impairment	**—**	—	—	90,940	—
Total operating expenses	**274,539**	263,330	258,050	354,558	267,641
Gain on sale of stores	**3,789**	—	—	—	—
Operating income (loss)	**23,209**	13,114	4,697	(76,109)	41,937
Interest expenses, net	**(2,312)**	(4,077)	(5,752)	(9,296)	(4,164)
Income (loss) from continuing operations before income taxes	**20,897**	9,037	(1,055)	(85,405)	37,773
Income tax expense (benefit) from continuing operations	**7,771**	3,517	199	(21,318)	14,103
Income (loss) from continuing operations	**13,126**	5,520	(1,254)	(64,087)	23,670
Income (loss) from discontinued operations, net of tax	**4,520**	202	(2,966)	(33,480)	(2,616)
Net income (loss)	**$ 17,646**	$ 5,722	$ (4,220)	$ (97,567)	$ 21,054
Net income (loss) per common share (basic):					
From continuing operations	**$ 0.20**	$ 0.09	$ (0.02)	$ (1.01)	$ 0.38
From discontinued operations	**$ 0.07**	$ 0.00	$ (0.05)	$ (0.53)	$ (0.04)
Net income (loss) per common share (basic)	**$ 0.27**	$ 0.09	$ (0.07)	$ (1.53)	$ 0.33
Net income (loss) per common share (diluted):					
From continuing operations	**$ 0.20**	$ 0.08	$ (0.02)	$ (1.01)	$ 0.36
From discontinued operations	**$ 0.07**	$ 0.00	$ (0.05)	$ (0.53)	$ (0.04)
Net income (loss) per common share (diluted)	**$ 0.27**	$ 0.09	$ (0.07)	$ (1.53)	$ 0.32
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**64,697**	64,001	63,635	63,565	63,074
Diluted	**66,239**	65,153	63,635	63,565	65,458

Selected Financial Data (continued)

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

	As of				
	July 1, 2012	July 3, 2011(1)	June 27, 2010(1)	June 28, 2009(1)	June 29, 2008
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and equivalents and short-term investments	**$ 28,854**	$ 21,442	$ 27,843	$ 29,562	$ 12,124
Working capital	**29,721**	17,303	22,963	43,679	33,416
Total assets	**268,848**	259,075	256,936	286,977	371,338
Long-term liabilities	**17,080**	32,242	48,745	73,945	63,739
Total stockholders' equity	**161,748**	142,511	133,476	134,633	231,465

(1) The Company has revised its previously reported balance sheet data as of June 28, 2009, and for subsequent periods, as presented herein, and its statement of operations, also presented herein, for the year ended June 28, 2009 in order to correct certain previously reported amounts. The Company believes the effects of the prior period adjustments are qualitatively and quantitatively not material to the respective balances adjusted and had no impact on the 2012, 2011 or 2010 statements of operations or cash flows. The Company has concluded that the amounts, if corrected in fiscal 2012, would have been material to the consolidated financial statements as of and for the year ended July 1, 2012. These errors primarily related to the accounting for deferred tax liabilities on non-amortizable intangibles, including goodwill, arising from certain historical acquisitions prior to fiscal 2007. These errors in the deferred tax accounts subsequently impacted the goodwill impairment charge recorded by the Company in fiscal 2009. The Company also identified an issue related to the treatment of deferred tax liabilities on basis differences related to fixed assets which were recorded in error during fiscal years 2009 and prior. The adjustment to correct the error resulted in a decrease to net loss, and thus, a decrease in the Company's retained deficit of approximately $0.8 million on the June 28, 2009 Consolidated Statements of Stockholders' Equity, with a corresponding adjustment to increase goodwill by approximately $6.6 million and increase deferred tax liabilities by approximately $5.8 million. Correcting prior year financial statements for these immaterial errors will not require previously filed reports to be amended and as such the Company has corrected the error by making adjustments to prior comparative financial information presented herein.

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. 1-800-FLOWERS.COM's Mobile Flower & Gift Center was named winner of the Mobile Shopping Summit's "Best Mobile Site of 2011." 1-800-FLOWERS.COM was also rated number one vs. competitors for customer satisfaction 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. 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); delicious cut-fruit arrangements from FruitBouquets.com (www.fruitbuquets.com); wine gifts from Winetasting.com® (www.winetasting.com); ultra- premium meats from Stockyards.com (www.stockyards.com); as well as exquisite, customizable invitations and personal stationery from FineStationery.com (www.finestationery.com). The Company's Celebrations® brand (www.celebrations.com) is a new premier online destination for fabulous party ideas and planning tips. 1-800-FLOWERS.COM, Inc. is involved in a broad range of corporate social responsibility initiatives including continuous expansion and enhancement of its environmentally-friendly "green" programs as well as various philanthropic and charitable efforts.

On September 6, 2011, the Company, through the Winetasting Network subsidiary, completed the sale of certain assets of its non-strategic wine fulfillment services business in order to focus on its core Direct-to-Consumer wine business. 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, and on Janu-

ary 25, 2010, completed the sale of this business. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment and its wine fulfillment services business, which had previously been included within its Gourmet Foods & Gift Baskets category, 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, and accordingly our financial results, compared to pre-recessionary levels, has been adversely affected by the reduction in consumer spending.

During fiscal 2012 the Company continued to recover from the effects of the recession which began in fiscal 2009, building on last year's improved financial performance. As a result of cost reductions and productivity improvements, marketing efficiency and merchandising innovation, the Company has been able to make significant annual improvements in EBITDA compared to the low point of the recession during fiscal 2010. A key tenet of the Company's strategy during this period was to stabilize the Consumer Floral operations and minimize business risk during the current recessionary period. In order to improve earnings during this recessionary period, the Company took a more conservative view of the economy, and its expectations of demand, in order to minimize the risk of investing marketing and operating spend for revenue growth too early in the economic recovery cycle. This strategy was designed to protect earnings growth that was expected to be achieved through operational improvements and business resizing programs, including a rationalization of marketing spending, but driven by more effective campaigns, that focused on the Company's ability to "wow" our customers with differentiated, non-commoditized higher value products. While the economic recovery continues at a slow pace, with the possibility of a "double-dip" recession looming as a result of continued high un-employment, energy and commodity prices, the Company believes that its sales "bottomed-out" in the first half of fiscal 2011, as it then began to experience modest year-over-year revenue growth.

Tempered by the continued economic uncertainty, during fiscal 2013, the Company expects to grow revenues across all three of its business segments with consolidated revenue growth for the year anticipated to be in the mid-single-digit range. Also, based on continued improvements in gross profit margin and operating leverage, the Company anticipates achieving double-digit year-over-year increases in EBITDA and EPS.

The Company's fiscal 2013 guidance is based on the positive trends—both top and bottom-line—that the Company has seen over the past two years, balanced by the continued uncertainty in the global economy. The Company plans to continue to focus on managing those aspects of the business where it can drive growth and enhanced results, including:

- merchandising and marketing initiatives featuring truly original products that have helped drive increased average order value and gross profit margins,
- efforts in manufacturing, sourcing and shipping that have helped absorb rising commodity and fuel costs and enhanced operating cost leverage, and
- investments in innovation for the future, including its industry leading efforts in Social and Mobile arenas, BloomNet and franchising programs in Consumer Floral and Fannie May.

The Company believes these efforts, and others underway, will help continue the positive trends seen in the business as the Company deepens its relationships with its customers, helping them deliver smiles, and build shareholder value.

Category Information

The following table presents the contribution of net revenues, gross profit and category contribution margin from each of the Company's business segments, as well as consolidated EBITDA and Adjusted EBITDA. As noted previously, the Company's wine fulfillment services business, which had previously been included within its Gourmet Foods & Gift Baskets category, as well as the Home & Children's Gifts category has been classified as discontinued operations and therefore excluded from category information below.

Net Revenues from Continuing Operations:

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Net revenues from continuing operations:					
Consumer Floral	**$398,184**	7.9%	$369,199	0.7%	$366,516
BloomNet Wire Service	**82,582**	12.7%	73,282	18.4%	61,883
Gourmet Food & Gift Baskets	**236,742**	3.2%	229,390	1.7%	225,602
Corporate(*)	**773**	(32.8%)	1,150	7.4%	1,071
Intercompany eliminations	**(2,024)**	(42.9%)	(1,416)	16.8%	(1,702)
Total net revenues from continuing operations	**$716,257**	6.6%	$671,605	2.8%	$653,370

Gross Profit from Continuing Operations:

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
			(dollars in thousands)		
Gross profit:					
Consumer Floral	**$154,892**	10.5%	$140,163	8.5%	$129,239
	38.9%		38.0%		35.3%
BloomNet Wire Service	**38,737**	5.0%	36,877	5.7%	34,890
	46.9%		50.3%		56.4%
Gourmet Food & Gift Baskets	**99,764**	0.9%	98,831	0.9%	97,935
	42.1%		43.1%		43.4%
Corporate(*)	**566**	(1.3%)	573	(16.1%)	683
Intercompany eliminations	**—**		—		—
Total gross profit from continuing operations	**$293,959**	6.3%	$276,444	5.2%	$262,747
	41.0%		41.2%		40.2%

Adjusted EBITDA(**) from Continuing Operations:

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
			(dollars in thousands)		
Segment Contribution Margin(**):					
Consumer Floral	**$ 39,147**	19.8%	$ 32,669	47.6%	$ 22,141
BloomNet Wire Service	**22,339**	10.6%	20,195	6.0%	19,051
Gourmet Food & Gift Baskets(***)	**29,789**	7.2%	27,776	2.3%	27,145
Segment Contribution Margin Subtotal	**91,275**	13.2%	80,640	18.0%	68,337
Corporate(*)	**(48,490)**	(2.6%)	(47,255)	(9.0%)	(43,353)
EBITDA from continuing operations	**42,785**	28.2%	33,385	33.6%	24,984
Add: Stock-based compensation	**4,850**	22.4%	3,961	20.1%	3,883
EBITDA from continuing operations, excluding stock-based compensation	**47,635**	27.6%	37,346	29.4%	28,867
Adjusted for:					
Gain on sale of stores(***)	**(3,789)**	—	—	—	—
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, excluding stock-based compensation	**$ 43,846**	17.4%	$37,346	14.1%	$ 32,735

Discontinued Operations:

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
		(dollars in thousands)	
Net revenues from discontinued operations	**$ 2,003**	$ 18,184	$102,192
Gross profit from discontinued operations	**405**	3,641	43,960
EBITDA from discontinued operations	**(190)**	743	4,416

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

(**)Performance is measured based on category contribution margin or category Adjusted EBITDA, reflecting only the direct controllable revenue and operating expenses of the segment. As such, management's measure of profitability for these segments 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.

(***)Gourmet Food & Gift Baskets category contribution margin during the fiscal year ended July 1, 2012, includes a $3.8 million gain on the sale of 17 Fannie May retail stores, which are currently being operated as franchised locations.

Due to certain one-time charges, 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 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)		
Net income (loss) from continuing operations	**$ 13,126**	$ 5,520	$ (1,254)
Add:			
Interest expense, net	**2,312**	4,077	5,752
Depreciation and amortization	**19,576**	20,271	20,287
Income tax expense	**7,771**	3,517	199
EBITDA from continuing operations	**42,785**	33,385	24,984
Add: Stock-based compensation	**4,850**	3,961	3,883
EBITDA from continuing operations, excluding stock-based compensation	**47,635**	37,346	28,867
Adjusted for:			
Gain on sale of stores(***)	**(3,789)**	—	—
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, excluding stock-based compensation	**$ 43,846**	$ 37,346	$ 32,735

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2012 and 2010 consisted of 52 weeks which ended on July 1, 2012 and June 27, 2010, respectively, whereas fiscal year 2011 consisted of 53 weeks, which ended on July 3, 2011.

Net Revenues

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Net revenues:					
E-Commerce	**$ 515,205**	6.1%	$ 485,378	3.3%	$ 469,968
Other	**201,052**	8.0%	186,227	1.5%	183,402
	$ 716,257	6.6%	$ 671,605	2.8%	$ 653,370

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 1, 2012, revenues increased by 6.6% in comparison to the prior year as a result of growth across all segments. These improvements were due to growth within the Consumer Floral category, which increased 7.9% as a result of strong year over year growth during the Company's key floral holidays, including Valentines' Day, which benefited from the better date placement which fell on Tuesday in fiscal 2012 compared to Monday in fiscal 2011, and Mother's Day, driven by a higher average order value, as well as contributions from several small acquisitions, including Fine Stationery in May 2011 and Flowerama in August 2011. Further contributing to the revenue growth were: (i) an increase in shop-to-shop order volume and wholesale product sales within the BloomNet Wire Service category, (ii) higher sales from the Gourmet Food & Gift Baskets category, including contributions from Mrs. Beasley's, which was acquired in March 2011, and Stockyards.com, whose brandname the Company licensed in late November 2011, offset in part by the impact of the 53 rd week in fiscal 2011, and the sale of 17 Fannie May stores which are currently being operated as franchised locations. Excluding the impact of the acquisitions and new license agreements noted above, net of the impact of the Fannie May store sales, and adjusting for the 53 rd week in fiscal 2011, the Company's revenues increased by 5.2% during the fiscal year ended July 1, 2012.

During the fiscal year ended July 3, 2011 revenues increased by 2.8% over the prior year period, as a result of growth across all categories, including the Consumer Floral category, reversing the trend after two years of revenue declines.

E-commerce revenues (combined online and telephonic) increased by 6.1% and 3.3% during the years ended July 1, 2012 and July 3, 2011, respectively. The Company fulfilled approximately 8.3 million, 8.1 million and 8.4 million e-commerce orders during fiscal 2012, 2011 and 2010, respectively, while increasing the average order value to $62.45 in fiscal 2012 compared to $59.58 in fiscal 2011 and $55.71 in fiscal 2010. Revenue growth was attributed to improved merchandising programs, including the development of innovative and original products such as the expanded line of a-DOG-ables, designed to "wow" our customers' gift recipients and our "Never Settle For Less" marketing campaigns, which also enabled the Company to reduce its promotional activities.

Other revenues, comprised of the Company's BloomNet Wire Service category, as well as the wholesale and retail channels of its Consumer Floral and Gourmet Food and Gift Baskets categories, increased by 8.0% and 1.5% during fiscal 2012 and fiscal 2011, respectively, in comparison to the prior year periods primarily as a result of the aforementioned sales growth in the BloomNet Wire Service business, as well as the contributions from Flowerama, a floral franchise operation purchased in August 2011.

Additionally, during the second quarter of fiscal 2012, the Company completed a 62-store franchise agreement between Fannie May and GB Chocolates. The agreement includes development rights for 45 new stores to be opened over the next three years in several mid-west states as well as specific cities in Florida and Ohio, as well as the sale of 17 existing Fannie May retail stores located in areas outside of its core Chicago market. While the sale of these stores reduced our revenues in comparison to prior year periods, it provides a platform for our franchisor to successfully complete its Fannie May development plan, while providing the Company with future revenue streams through franchise and area development fees and product sales.

The 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 royalties from its franchise operations, as well as the operations of Fine Stationery, an e-commerce retailer of personalized stationery, invitations and announcements. Net revenues during the fiscal years ended July 1, 2012 and July 3, 2011 increased by 7.9% and 0.7% over the respective prior year periods, due to a combination of increased order volumes and a higher average order value, driven by enhanced marketing and merchandising programs that encourage our customers to “wow” their gift recipients and “Never Settle For Less.” Fiscal 2012 also benefited from the better Tuesday date placement of the Valentine's Day holiday, compared to Monday in fiscal 2011, and Sunday in fiscal 2010, as well as the revenue contributions of several small acquisitions, including Fine Stationery in May 2011 and Flowerama in August 2011, offset in part by the impact of the 53 rd week in fiscal 2011. For the fiscal year ended July 1, 2012, revenue growth for the Consumer Floral category, excluding the impact of the above acquisitions and the 53 rd week in fiscal 2011, was approximately 5.6%.

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 years ended July 1, 2012 and July 3, 2011 increased by 12.7% and 18.4% over the respective prior years, primarily as a result of increased shop-to-shop order volume and wholesale product sales. 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 has begun to monetize this increased order volume through increasing membership, technology, services and product fees.

The Gourmet Food & Gift Baskets category includes the operations of 1-800-Baskets, Cheryl's (which includes Mrs. Beasley's), Fannie May Confections, The Popcorn Factory, Winetasting.com, Stockyards.com and DesignPac businesses. Revenue is derived from the sale of gift baskets, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, wine gifts and prime steaks and chops through its e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Cheryl's and Fannie May brand names, royalties from Fannie May franchise operations, as well as wholesale operations. Net revenue during the fiscal year ended July 1, 2012 and July 3, 2011, increased by 3.2% and 1.7%, respectively, in comparison to the prior years. Growth during the fiscal year ended July 1, 2012 was primarily due to: (i) e-commerce growth from 1-800-Baskets.com, Cheryl's and The Popcorn Factory brands, (ii) increased wholesale revenue from the Fannie May brand, and (iii) revenue contributions from the acquisitions of Mrs. Beasley's, a baker and marketer of cakes, muffins and gourmet gift baskets, acquired in March 2011, and Stockyards.com, a purveyor of USDA prime and choice meats, poultry and seafood, whose brandname the Company licensed in late November 2011. This growth was largely offset by reduced DesignPac wholesale basket volume during the December holiday season, and the impact of the conversion of 17 Fannie May retail stores into franchised operations. During the fiscal year ended July 1, 2012, revenue growth for the Gourmet Food & Gift Baskets category, excluding the impact of above acquisitions, the net effect of the sale of the Fannie May retail stores noted above, and the impact of the 53 rd week in fiscal 2011, was approximately 2.5%. Net revenue during the fiscal year ended July 3, 2011 increased by 1.7% compared to the prior year period, primarily as a result of e-commerce sales growth from 1-800-Baskets.com and Cheryl's brands, partially offset by reduced wholesale volume from DesignPac.

For fiscal 2013, the Company expects to grow revenues across all three of its business segments with consolidated revenue growth for the year anticipated to be in the mid-single-digit range.

Gross Profit

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Gross profit	**$293,959**	6.3%	$276,444	5.2%	$262,747
Gross margin %	**41.0%**		41.2%		40.2%

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

Gross profit increased during the fiscal years ended July 1, 2012 and July 3, 2011, compared to the respective prior years, due to the above mentioned revenue growth across all categories. During fiscal 2012, the Company's gross margin percentage decreased 20 basis points, reflecting the impact of product mix and lower gross margins from the Company's BloomNet operations and wholesale baskets business within the Gourmet Food and Gift Basket category, partially offset

by improvements within the Consumer Floral segment. During fiscal 2011, gross margins improved 100 basis points, resulting from improved merchandising programs and reduced promotional activities within the Company's Consumer Floral segment, which more than offset fuel and commodity cost increases, and the margin impact of the third-party marketing program which was discontinued in December 2009.

The Consumer Floral category gross profit increased by 10.5% and 8.5% during the fiscal years ended July 1, 2012 and July 3, 2011, respectively, as compared to the prior year periods, due to the higher revenue, as described above, as well as gross margin improvements, which increased 90 basis points and 270 basis points over the respectively prior year periods, due to the aforementioned improvements in merchandising and marketing programs and reductions in promotional activity. Additionally, gross profit during fiscal 2012 was favorably impacted by the incremental gross profit generated by the acquisitions of Fine Stationery and Flowerama, whereas, the fiscal 2011 improvement reflects the impact of the termination of the Martha Stewart marketing agreement during the fourth quarter of fiscal 2010.

The BloomNet Wire Service category gross profit increased by 5.0% and 5.7% during the fiscal years ended July 1, 2012 and July 3, 2011, respectively, in comparison to the prior years, due to the above mentioned revenue growth, while the gross margin percentage decreases reflect product mix, consisting of increased sales of lower margin wholesale orders and an increase in the proportion of shop-to-shop order volume. Although the shop-to-shop orders carry a lower gross margin percentage, the significant increase in order volume helps drive revenue and gross margin dollar growth, while the added orders provide increased leverage for sales of products and services. BloomNet expects to continue to monetize this increased order volume through increased membership, technology, services and product fees.

The Gourmet Food & Gift Baskets category gross profit increased by 0.9% during both the fiscal years ended July 1, 2012 and July 3, 2011, in comparison to the prior years, due to the above mentioned revenue increases, while the gross margin percentage decreased by 100 basis points and 30 basis points, respectively. The decrease in gross margin percentage during fiscal 2012 was driven primarily by lower gross margins from the wholesale basket business, as well as the impact of the sale of the Fannie May stores and increases in commodity and shipping costs. During fiscal 2011, the gross margin percentage decrease was a result of a change in sales mix, as well as increased fuel and commodity prices.

For fiscal 2013, the Company expects its gross margin percentage will improve in comparison to fiscal 2012 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 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Marketing and sales	**$182,512**	5.2%	$173,531	1.3%	$171,231
Percentage of sales	**25.5%**		25.8%		26.2%

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 1, 2012, marketing and sales expense increased by 5.2% compared to the prior year, as a result of: (i) increased advertising, primarily related to the 1-800-Flowers.com Consumer Floral brand during the key floral holidays, which helped to drive the improving revenue trends, (ii) increased labor due to several growth initiatives for franchising, BloomNet and the Mobile and Social commerce area, and incremental labor associated with the acquisitions of Mrs. Beasley's, Fine Stationery and Flowerama, as well as the operation of the Stockyards direct-to-consumer business, offset in part by the franchise conversion of 17 Fannie May retail stores, and (iii) higher facility costs, due to the aforementioned acquisitions and licensing arrangement. However, as a result of the Company's continued focus on improving its merchandising programs, refocusing marketing messages, and enhancing the efficiency of advertising efforts, marketing and sales expense, as a percentage of net revenues, decreased from 25.8% in fiscal 2011 to 25.5% in fiscal 2012.

During the fiscal year ended July 3, 2011, marketing and sales expense increased by 1.3% compared to the prior year period, as a result of: (i) an increase in compensation expense, due to performance based incentive compensation, reflecting the improved operating results, 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. As a result of spending efficiencies achieved during the year, marketing and sales expense, as a percentage of net revenues, decreased from 26.2% in fiscal 2010 to 25.8% in fiscal 2011.

During the fiscal year ended July 1, 2012, the Company added approximately 2.0 million new e-commerce customers, compared to 2.3 million in each of the fiscal years in 2011 and 2010. Of the 4.6 million total customers who placed e-commerce orders during fiscal 2012, approximately 56% were repeat customers,

compared to 52% in fiscal 2011 and 2010, reflecting the Company's effectiveness 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 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Technology and development	**$ 20,479**	1.5%	$ 20,168	14.2%	$ 17,666
Percentage of sales	**2.9%**		3.0%		2.7%

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 1, 2012, technology and development expense increased by 1.5% over the prior year, as a result of the incremental costs associated with the recent acquisitions of Mrs. Beasley's, Fine Stationery and Flowerama; however, technology and development expense as a percentage of net revenue decreased 10 basis points during fiscal 2012, reflecting the Company's ability to leverage its technology platform.

During the fiscal year ended July 3, 2011, technology and development expense increased by 14.2% over the prior year, as a result of increased labor costs required to support and implement new website improvements, as well as from higher performance based 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 years ended July 1, 2012, July 3, 2011, and June 27, 2010 the Company expended $32.8 million, $32.4 million, and $29.1 million, respectively, on technology and development, of which $12.3 million, $12.2 million, and $11.4 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
General and administrative	**$ 51,972**	5.3%	$49,360	1.0%	$ 48,866
Percentage of sales	**7.3%**		7.3%		7.5%

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 increased by 5.3% during the fiscal year ended July 1, 2012, over the prior year period, due to: (i) incremental costs associated with the acquisitions of Mrs. Beasley's, Fine Stationery and Flowerama, (ii) annual compensation rate increases, and (iii) an increase in expenses associated with franchise expansion plans, partially offset by reductions in bad debt expense.

During the fiscal year ended July 3, 2011, general and administrative expense increased by 1.0% over the prior year period, but decreased as a percentage of net revenues from 7.5% in fiscal 2010 to 7.3% 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.

Depreciation and Amortization

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Depreciation and amortization	**$ 19,576**	(3.4%)	$20,271	(0.1%)	$ 20,287
Percentage of sales	**2.7%**		3.0%		3.1%

Depreciation and amortization expense decreased by 3.4% and 0.1% during the fiscal years ended July 1, 2012 and July 3, 2011, respectively, over the prior year periods, a result of the Company's efforts over the last three years to reduce capital expenditures, as the Company continues to leverage its technology platform.

Gain on Sale of Stores

On November 21, 2011, the Company and GB Chocolates LLC (GB Chocolates) entered into an agreement whereby the Company sold 17 existing Fannie May stores, to be operated as franchised locations by GB Chocolates, for $5.6 million, recognizing a gain on the sale of $3.8 million. Upon completion of the sale, the Company also recognized initial franchise fees associated with these 17 stores in the amount of $0.5 million. In conjunction with the sale of stores, the Company and GB Chocolates entered into an area development agreement whereby GB Chocolates will open a minimum of 45 new Fannie May franchise stores by December 2014. The agreement provides exclusive development rights for several Midwestern states, as well as specific cities in Florida and Ohio. The terms of the agreement include a non-refundable area development fee of $0.9 million, store opening fees of $0.5 million, assuming successful opening of 45 stores, and a non-performance promissory note in the amount of $1.2 million, which becomes due and payable only if GB Chocolates does not open all 45 stores as set forth in the development agreement. The Company has deferred the recognition of the $0.9 million area development fee associated with the

45 store area development agreement, and will recognize such fees in income on a pro-rata basis, when the conditions for revenue recognition under the area development agreement are met. Both store opening fees and area development fees are generally recognized upon the opening of a franchise store, or upon termination of the agreement between the Company and the franchisee. The Company recognized approximately $0.2 million, of the $1.2 million promissory note, based upon its assessment of the likelihood that the performance criteria under the agreement will be achieved.

Interest Expense, net

	Years Ended				
	July 1, 2012	% Change	July 3, 2011	% Change	June 27, 2010
	(dollars in thousands)				
Interest expense, net	**$ (2,312)**	43.3%	$ (4,077)	29.1%	$ (5,752)

Interest expense, net consists primarily of interest expense and amortization of deferred financing costs attributable to the Company's long-term debt and revolving line of credit, net of income earned on the Company's available cash balances.

Net borrowing costs decreased during the fiscal years ended July 1, 2012 and July 3, 2011, in comparison to the respective prior years, due to paydowns of amounts outstanding under the Company's term loans, as well as reduced borrowing rates. Additionally, the decrease in fiscal 2011 reflects the impact of the Company's write-off of $0.3 million in deferred financing cost during the fourth quarter of fiscal 2010, as a result of the amending the Company's credit facility.

Income Taxes

During the fiscal years ended July 1, 2012, July 3, 2011 and June 27, 2010, the Company recorded income tax expense of $7.8 million, $3.5 million and $0.2 million, respectively, resulting in an effective tax rate of 37.2%, 38.9% and 18.9%, respectively. The Company's effective tax rate for the fiscal years ended July 1, 2012 and June 27, 2010, differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes, non-deductible stock-based compensation, and goodwill amortization, partially offset by various tax credits. The Company's effective tax rate for the fiscal year ended July 3, 2011 differs 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 tax settlements and various tax credits.

At July 1, 2012, the Company's federal net operating loss carryforwards were approximately $3.3 million, which, if not utilized, will begin to expire in fiscal year 2025.

Discontinued Operations

On September 6, 2011, the Company, through the Winetasting Network subsidiary, completed the sale of certain assets of its non-strategic wine fulfillment services business in order to focus on its core Direct-to-Consumer wine business. 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, and on January 25, 2010, completed the sale of this business. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment and its wine fulfillment services business, which had previously been included within its Gourmet Foods & Gift Baskets category, as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(dollars in thousands)		
Net revenues from discontinued operations	**$ 2,003**	$18,184	$102,192
Gross profit from discontinued operations	**$ 405**	$ 3,641	$ 43,960
Income (loss) from discontinued operations, net of tax	**$ (22)**	$ 202	$ 2,096
Gain (losses) on sale of discontinued operations, net of tax	**$ 4,542**	$ —	$ (5,062)
Income (loss) from discontinued operations	**$ 4,520**	$ 202	$ (2,966)

The Company's wine fulfillment services business derived its revenue from the warehousing and fulfillment of wine and wine related products, primarily on behalf of California wineries. The Home & Children's Gifts category included revenue from the sale of home decor and children's gifts.

On September 6, 2011, the Company completed the sale of certain assets of its non-strategic WinetastingNetwork wine fulfillment services business for $12.0 million, in order to focus on its core Direct-to-Consumer wine business, recognizing a gain on the sale of $4.5 million, net of taxes. 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 $5.1 million, net of tax during the fiscal year ended June 27, 2010.

Liquidity and Capital Resources

At July 1, 2012, the Company had working capital of $29.7 million, including cash and equivalents of $28.9 million, compared to working capital of $17.3 million, including cash and equivalents of $21.4 million, at July 3, 2011.

Net cash provided by operating activities of $40.2 million for the fiscal year ended July 1, 2012 was primarily related to net income, adjusted for the gain on the sale of the Company's wine fulfillment services business in September 2011, non-cash charges for depreciation and amortization, deferred income taxes, and stock-based compensation, offset in part by increases in working capital, including inventory, accounts receivable and prepaid expenses due to expanded wholesale activities.

Net cash used in investing activities of $12.9 million for the fiscal year ended July 1, 2012 was primarily attributable to the Company's equity investment in Flores Online, Ltda., a Brazilian based e-commerce consumer floral retailer, the acquisition of Flowerama in August 2011, and capital expenditures, primarily related to the Company's technology infrastructure, offset in part by the proceeds from the sale of the Company's wine fulfillment services business in September 2011.

Net cash used in financing activities of $19.9 million for the fiscal year ended July 1, 2012 was primarily due to the repayment of bank borrowings on outstanding term-loan debt and long-term capital lease obligations, as well as the acquisition of $3.3 million of treasury stock under the Company's stock repurchase plan. There were no borrowings outstanding under the Company's revolving credit facility as of July 1, 2012.

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.

As a result of the modifications of its credit facilities, during the year ended June 27, 2010, the Company wrote-off deferred financing costs in the amount of $0.3 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 matured 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 came due in April 2012, ranged from 2.99% to 7.48%. Both of the lines of credit are currently closed.

Despite the current challenging economic environment, the Company believes that cash flows from operations along with available borrowings from its 2010 Credit Facility will be a sufficient source of liquidity. The Company typically borrows against the facility to fund working capital requirements related to pre-holiday manufacturing and inventory purchases which peak during its fiscal second quarter before being repaid prior to the end of that quarter.

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 1, 2012, $8.5 million remains authorized but unused.

Under this program, as of July 1, 2012, the Company had repurchased 3,703,626, shares of common stock for $17.8 million, of which $3.3 million (1,133,913 shares), $0.5 million (168,207 shares), and $0.9 million (342,821 shares) were repurchased during the fiscal years ending July 1, 2012, July 3, 2011 and June, 27, 2010, respectively.

At July 1, 2012, 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
	(dollars in thousands)				
Long-term debt, including interest	$ 30,933	$ 17,059	$ 13,874	$ —	$ —
Capital lease obligations, including interest	6	6	—	—	—
Operating lease obligations	57,562	12,463	18,810	12,999	13,290
Sublease obligations	4,534	1,972	1,892	670	—
Purchase commitments(*)	46,679	46,679	—	—	—
Total	$139,714	$ 78,179	$ 34,576	$ 13,669	$ 13,290

(*) 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 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.

Initial franchise fees are recognized in income when the Company has substantially performed or satisfied all material services or conditions relating to the sale of the franchise and the fees are nonrefundable. Area development fees are nonrefundable and are recognized in income on a pro-rata basis when the conditions for revenue recognition under the individual area development agreements are met. Both initial franchise fees and area development fees are generally recognized upon the opening of a franchise store or upon termination of the agreement between the Company and the franchisee.

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 assess-

ing 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 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.

Newly Adopted Accounting Pronouncements

In the first quarter of fiscal 2012, the Company adopted new accounting guidance included in Accounting Standards Update ("ASU") No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* . The amendments in this standard specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This standard also expands the supplemental pro forma disclosures under Accounting Standards Codification ("ASC") Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In the third quarter of fiscal 2012, the Company adopted new accounting guidance included in ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* . The amendments in this standard generally represent clarification of Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, "Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"), which permits an entity to make a qualitative assessment of whether it is more likely than not that the

fair value of a reporting unit's indefinite-lived intangible asset is less than the asset's carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that the fair value of a reporting unit's indefinite-lived intangible asset is more likely than not greater than the asset's carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2012-02 will have on its consolidated financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 "Testing Goodwill for Impairment" (ASU No. 2011-08) which is intended to reduce the complexity and costs to test goodwill for impairment. The amendment allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity will no longer be required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The ASU also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendment becomes effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 30, 2013. Early adoption is permitted. 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 Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" (ASU No. 2011-05), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning with the first quarter of the Company's fiscal year ending on June 30, 2013 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-05 and ASU No. 2011-12 will not have a material impact on the company's consolidated financial position or results of operations.

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 1, 2012, the Company's outstanding debt, including current maturities, approximated $29.3 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 matured 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.

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 $0.2 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 2012 and 2011. 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. 1, 2012	Apr. 1, 2012	Jan. 1, 2012	Oct. 2, 2011	Jul. 3, 2011	Mar. 27, 2011	Dec. 26, 2010	Sep. 26, 2010
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$139,095	$132,190	$165,130	$ 78,790	$142,060	$117,506	$154,599	$ 71,213
Other	40,462	47,469	74,715	38,406	40,093	41,333	74,274	30,527
Total net revenues	179,557	179,659	239,845	117,196	182,153	158,839	228,873	101,740
Cost of revenues	105,525	106,620	139,519	70,634	108,920	95,728	131,779	58,734
Gross Profit	74,032	73,039	100,326	46,562	73,233	63,111	97,094	43,006
Operating expenses:								
Marketing and sales	48,612	48,598	53,020	32,282	49,915	43,513	50,476	29,627
Technology and development	5,227	5,646	4,854	4,752	5,529	5,119	4,721	4,799
General and administrative	12,915	13,766	12,932	12,359	12,807	12,659	12,443	11,451
Depreciation and amortization	4,871	4,874	4,929	4,902	4,999	5,069	5,189	5,014
Total operating expenses	71,625	72,884	75,735	54,295	73,250	66,360	72,829	50,891
Gain on sale of stores	—	—	3,789	—	—	—	—	—
Operating income (loss)	2,407	155	28,380	(7,733)	(17)	(3,249)	24,265	(7,885)
Interest expense, net	(322)	(319)	(849)	(822)	(756)	(854)	(1,306)	(1,161)
Income (loss) from continuing operations before income taxes	2,085	(164)	27,531	(8,555)	(773)	(4,103)	22,959	(9,046)
Income tax expense (benefit)	453	(215)	10,955	(3,422)	(413)	(1,859)	9,887	(4,098)
Income (loss) from continuing operations	1,632	51	16,576	(5,133)	(360)	(2,244)	13,072	(4,948)
Income (loss) from discontinued operations, net of tax	—	—	63	(85)	352	(432)	458	(176)
Gain (loss) on sale of discontinued operations, net of tax	200	(136)	—	4,478	—	—	—	—
Income (loss) from discontinued operations	200	(136)	63	4,393	352	(432)	458	(176)
Net income (loss)	$ 1,832	$ (85)	$ 16,639	$ (740)	$ (8)	$ (2,676)	$ 13,530	$ (5,124)
Basic net income (loss) per common share:								
From continuing operations	$ 0.03	$ 0.00	$ 0.26	$ (0.08)	$ (0.01)	$ (0.04)	$ 0.20	$ (0.08)
From discontinued operations	—	—	—	0.07	0.01	(0.01)	0.01	0.00
Net income (loss) per common share	$ 0.03	$ 0.00	$ 0.26	$ (0.01)	$ 0.00	$ (0.04)	$ 0.21	$ (0.08)
Diluted net income (loss) per common share:								
From continuing operations	$ 0.02	$ 0.00	$ 0.25	$ (0.08)	$ (0.01)	$ (0.04)	$ 0.20	$ (0.08)
From discontinued operations	—	—	—	0.07	0.01	(0.01)	0.01	0.00
Net income (loss) per common share	$ 0.03	$ 0.00	$ 0.25	$ (0.01)	$ 0.00	$ (0.04)	$ 0.21	$ (0.08)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	64,741	64,988	64,841	64,218	64,135	63,999	63,966	63,894
Diluted	66,381	66,299	66,050	64,218	64,135	63,999	64,801	63,894

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 and Administrative Professionals Week, revenues also rise during the Company's fiscal fourth quarter. The Easter Holiday was in the Company's fourth quarter during fiscal 2011 and 2012, but will fall in the third quarter of fiscal 2013.

Consolidated Balance Sheets

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

(in thousands, except share data)

	July 1, 2012	July 3, 2011
Assets		
Current assets:		
Cash and equivalents	**$ 28,854**	$ 21,442
Receivables, net	**14,968**	11,916
Inventories	**55,744**	51,185
Deferred tax assets	**4,993**	4,945
Prepaid and other	**11,082**	8,631
Current assets of discontinued operations	**100**	3,506
Total current assets	**115,741**	101,625
Property, plant and equipment, net	**48,669**	49,908
Goodwill	**47,901**	45,972
Other intangibles, net	**41,838**	41,748
Deferred tax assets	**2,824**	11,880
Other assets	**7,875**	5,204
Non-current assets of discontinued operations	**—**	2,738
Total assets	**$264,848**	$259,075
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 17,619**	$ 24,186
Accrued expenses	**52,535**	42,692
Current maturities of long-term debt and obligations under capital leases	**15,756**	16,488
Current liabilities of discontinued operations	**110**	956
Total current liabilities	**86,020**	84,322
Long-term debt and obligations under capital leases	**13,500**	29,250
Other liabilities	**3,580**	2,883
Non-current liabilities of discontinued operations	**—**	109
Total liabilities	**103,100**	116,564
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, 34,465,207 and 32,987,313 shares issued in 2012 and 2011, respectively	**344**	330
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,138,465 shares issued in 2012 and 2011	**421**	421
Accumulated other comprehensive loss	**(17)**	(158)
Additional paid-in capital	**293,814**	289,101
Retained deficit	**(96,258)**	(113,904)
Treasury stock, at cost, 6,767,166 and 5,633,253 Class A shares in 2012 and 2011, respectively, and 5,280,000 Class B shares in 2012 and 2011	**(36,556)**	(33,279)
Total stockholders' equity	**161,748**	142,511
Total liabilities and stockholders' equity	**$264,848**	$259,075

See accompanying notes.

Consolidated Statements of Operations

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

(in thousands, except per share data)

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
Net revenues	**$716,257**	$671,605	$653,370
Cost of revenues	**422,298**	395,161	390,623
Gross profit	**293,959**	276,444	262,747
Operating expenses:			
Marketing and sales	**182,512**	173,531	171,231
Technology and development	**20,479**	20,168	17,666
General and administrative	**51,972**	49,360	48,866
Depreciation and amortization	**19,576**	20,271	20,287
Total operating expenses	**274,539**	263,330	258,050
Gain on sale of stores	**3,789**	—	—
Operating income	**23,209**	13,114	4,697
Interest expense, net	**(2,312)**	(4,077)	(5,752)
Income (loss) from continuing operations before income taxes	**20,897**	9,037	(1,055)
Income tax expense from continuing operations	**7,771**	3,517	199
Income (loss) from continuing operations	**13,126**	5,520	(1,254)
Income (loss) from discontinued operations, net of tax	**(22)**	202	2,096
Gain (loss) on sale of discontinued operations, net of tax	**4,542**	—	(5,062)
Income (loss) from discontinued operations	**4,520**	202	(2,966)
Net income (loss)	**$ 17,646**	$ 5,722	$ (4,220)
Basic net income (loss) per common share:			
From continuing operations	**$ 0.20**	$ 0.09	$ (0.02)
From discontinued operations	**0.07**	0.00	(0.05)
Basic net income (loss) per common share	**$ 0.27**	$ 0.09	$ (0.07)
Diluted net income (loss) per common share:			
From continuing operations	**$ 0.20**	$ 0.08	$ (0.02)
From discontinued operations	**0.07**	0.00	(0.05)
Diluted net income (loss) per common share	**$ 0.27**	$ 0.09	$ (0.07)
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**64,697**	64,001	63,635
Diluted	**66,239**	65,153	63,635

See accompanying notes.

Consolidated Statements of Stockholders' Equity

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

Years ended July 1, 2012, July 3, 2011 and June 27, 2010

(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 28, 2009	31,730,404	$ 317	42,138,465	$ 421	$ 281,247	$(115,406)	$ —	10,402,225	$(31,946)	$134,633
Net loss	—	—	—	—	—	(4,220)	—	—	—	(4,220)
Change in value of cash flow hedge	—	—	—	—	—	—	(334)	—	—	(334)
Comprehensive income	—	—	—	—	—	—	—	—	—	(4,554)
Stock-based compensation	761,862	8	—	—	4,635	—	—	—	—	4,643
Excess tax benefit	—	—	—	—	(367)	—	—	—	—	(367)
Acquisition of treasury stock	—	—	—	—	—	—	—	342,821	(879)	(879)
Balance at June 27, 2010	32,492,266	325	42,138,465	421	285,515	(119,626)	(334)	10,745,046	(32,825)	133,476
Net income	—	—	—	—	—	5,722	—	—	—	5,722
Change in value of cash flow hedge	—	—	—	—	—	—	176	—	—	176
Comprehensive income	—	—	—	—	—	—	—	—	—	5,898
Stock-based compensation	495,047	5	—	—	4,005	—	—	—	—	4,010
Excess tax benefit	—	—	—	—	(419)	—	—	—	—	(419)
Acquisition of treasury stock	—	—	—	—	—	—	—	168,207	(454)	(454)
Balance at July 3, 2011	32,987,313	330	42,138,465	421	289,101	(113,904)	(158)	10,913,253	(33,279)	142,511
Net income	—	—	—	—	—	**17,646**	—	—	—	**17,646**
Change in value of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**—**	**141**	**—**	**—**	**141**
Comprehensive Income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**17,787**
Stock-based compensation	**1,477,894**	**14**	**—**	**—**	**4,836**	**—**	**—**	**—**	**—**	**4,850**
Excess tax benefit	**—**	**—**	**—**	**—**	**(123)**	**—**	**—**	**—**	**—**	**(123)**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,133,913**	**(3,277)**	**(3,277)**
Balance at July 1, 2012	**34,465,207**	**$ 344**	**42,138,465**	**$ 421**	**$ 293,814**	**$ (96,258)**	**$ (17)**	**12,047,166**	**$ (36,556)**	**$161,748**

See accompanying notes.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
Operating activities:			
Net income (loss)	**$ 17,646**	$ 5,722	$ (4,220)
Reconciliation of net income (loss) to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**1,881**	(814)	9,666
(Gain)/loss on sale of discontinued operations	**(8,683)**	—	6,035
Depreciation and amortization	**19,576**	20,271	20,287
Amortization of deferred financing costs	**457**	474	763
Deferred income taxes	**7,790**	2,262	(127)
Bad debt expense	**879**	1,537	1,738
Stock-based compensation	**4,850**	3,961	3,883
Excess tax expense from stock-based compensation	**123**	419	275
Other non-cash items	**42**	27	77
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(3,387)**	(1,174)	(4,569)
Inventories	**(4,041)**	(5,443)	654
Prepaid and other	**(2,190)**	(1,868)	(1,082)
Accounts payable and accrued expenses	**2,656**	6,334	6,405
Other assets	**1,629**	(748)	(124)
Other liabilities	**947**	(235)	368
Net cash provided by operating activities	**40,175**	30,725	40,029
Investing activities:			
Acquisitions, net of cash acquired	**(4,336)**	(4,310)	—
Proceeds from sale of business	**12,823**	—	10,468
Capital expenditures	**(17,304)**	(16,890)	(14,844)
Purchase of investments	**(3,945)**	(268)	(2,192)
Other, net	**(119)**	100	325
Investing activities of discontinued operations	**—**	(127)	(275)
Net cash used in investing activities	**(12,881)**	(21,495)	(6,518)
Financing activities:			
Acquisition of treasury stock	**(3,277)**	(454)	(879)
Proceeds from exercise of employee stock options	**—**	49	—
Excess tax expense from stock based compensation	**(123)**	(419)	(367)
Proceeds from bank borrowings	**56,000**	40,000	49,000
Repayment of bank borrowings	**(71,000)**	(52,750)	(79,352)
Debt issuance cost	**—**	(17)	(1,637)
Repayment of capital lease obligations	**(1,482)**	(2,040)	(1,995)
Net cash used in financing activities	**(19,882)**	(15,631)	(35,230)
Net change in cash and equivalents	**7,412**	(6,401)	(1,719)
Cash and equivalents:			
Beginning of year	**21,442**	27,843	29,562
End of year	**$ 28,854**	$ 21,442	$ 27,843

Supplemental Cash Flow Information:

- Interest paid amounted to $2.7 million, $4.2 million, and $5.4 million for the years ended July 1, 2012, July 3, 2011 and June 27, 2010, respectively.
- The Company paid income taxes of approximately $5.0 million, $1.4 million and $1.4 million, net of tax refunds received, for the years ended July 1, 2012, July 3, 2011 and June 27, 2010, respectively.

See accompanying notes.

Note 1. Description of Business

For more than 35 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.

Note 2. Significant Accounting Policies

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.

On September 6, 2011, the Company, through the Winetasting Network subsidiary, completed the sale of certain assets of its wine fulfillment services business. 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 this business. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for fiscal 2010, and its wine fulfillment services business as discontinued operations for all periods presented. Refer to Note 16. Discontinued Operations, for further discussion.

Revision to Previously Reported Financial Information

The Company revised its previously reported consolidated balance sheet at July 3, 2011, and the opening shareholders' equity balance as of June 28, 2009, presented herein, in order to correct certain previously reported amounts. The Company believes this prior period adjustment is qualitatively and quantitatively immaterial to the respective balances adjusted and had no impact on the 2012, 2011 or 2010 statements of operations or cash flows. The Company concluded that the amounts, if corrected in fiscal 2012, would have been material to the consolidated financial statements as of and for the year ended July 1, 2012.

During the first quarter of fiscal 2013, prior to announcing the Company's financial results for its fiscal 2012 fourth quarter and year ended July 1, 2012, certain errors primarily related to the accounting for deferred tax liabilities on non-amortizable intangibles, including goodwill, arising from historical acquisitions prior to fiscal 2007 were identified. These errors in the deferred tax accounts subsequently impacted the goodwill impairment charge recorded by the Company in fiscal 2009. The Company also identified an issue related to the treatment of deferred tax liabilities on basis differences related to fixed assets which were recorded in error during fiscal years 2009 and prior.

The review resulted in a decrease to net loss, and thus, a decrease in the Company's retained deficit of approximately $0.8 million on the June 28, 2009 Consolidated Statements of Stockholders' Equity, with a corresponding adjustment to increase goodwill by approximately $6.6 million and increase deferred tax liabilities by approximately $5.8 million.

The following table sets forth the correction to each of the individual affected line items in the consolidated balance sheets of July 3, 2011, and the stockholders' equity section of the consolidated balance sheet as of June 28, 2009. "As Presented Herein" amounts presented below reflect the impact of these revisions, as well as the reclassification of the Company's wine fulfillment services business as a discontinued operation (see Note 16. Discontinued Operations).

Balance sheet data for 2011:

	As of July 3, 2011			
	As Previously Reported	Reclassifications/ Discontinued Operations	Correction	As Presented Herein
Assets				
Current Assets:				
Cash and equivalents	$ 21,442	$ —	$ —	$ 21,442
Receivables, net	15,278	(3,362)	—	11,916
Inventories	51,314	(129)	—	51,185
Deferred tax assets	5,416	(471)	—	4,945
Prepaid and other	7,375	1,256	—	8,631
Current assets of discontinued operations	—	3,506	—	3,506
Total current assets	100,825	800	—	101,625
Property, plant and equipment, net	50,354	(446)	—	49,908
Goodwill	41,547	(2,199)	6,624	45,972
Other intangibles, net	41,808	(60)	—	41,748
Deferred tax assets	17,181	473	(5,774)	11,880
Other assets	5,236	(32)	—	5,204
Non-current assets of discontinued operations	—	2,738	—	2,738
Total assets	$256,951	$ 1,274	$ 850	$259,075
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable and accrued expenses	$ 66,559	$ 319	$ —	$ 66,878
Current maturities of long-term debt and obligations under capital leases	16,488	—	—	16,488
Current liabilities of discontinued operations	—	956	—	956
Total current liabilities	83,047	1,275	—	84,322
Long-term debt and obligations under capital leases	29,250	—	—	29,250
Other liabilities	2,993	(110)	—	2,883
Non-current liabilities of discontinued operations	—	109	—	109
Total liabilities	115,290	1,274	—	116,564
Total stockholders' equity	141,661	—	850	142,511
Total liabilities and stockholders' equity	$256,951	$ 1,274	$ 850	$259,075

Shareholder's equity data for 2009:

	As of June 28, 2009			
	As Previously Reported	Reclassifications/ Discontinued Operations	Correction	As Presented Herein
Retained deficit	$(116,256)	$ —	$ 850	$ (115,406)
Total stockholders' equity	$ 133,783	$ —	$ 850	$ 134,633

Financial information included in the accompanying financial statements and the notes thereto reflect the effects of the corrections described in the preceding discussion and table where applicable.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2012 and 2010 consisted of 52 weeks which ended on July 1, 2012 and June 27, 2010, respectively, whereas fiscal year 2011 consisted of 53 weeks, which ended on July 3, 2011.

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 initial lease terms, or estimated useful lives of the improvements. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. Long-lived assets are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The company capitalizes certain internal and external costs incurred to acquire or create internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. 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

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. The company tests goodwill for impairment annually during the fourth quarter, and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist, such as (i) a significant adverse change in legal factors or in business climate, (ii) an adverse action or assessment by a regulator, (iii) unanticipated competition, (iv) a loss of key personnel, (v) a more-likelythan-not sale or disposal of all or a significant portion of a reporting unit, (vi) the testing for recoverability of a significant asset group within a reporting unit, or (vii) the recognition of a goodwill impairment loss of a subsidiary that is a component of the reporting unit.

Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires the identification of the reporting units and comparison of the fair value of each of these reporting units to the respective carrying value. If the carrying value of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than its fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The company generally estimates the fair value of a reporting unit using a discounted cash flow methodology included forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others, all of which require significant judgments by management. The company also reconciles its discounted cash flow analysis to its current market capitalization allowing for areasonable control premium.

Other Intangibles, net

Amortization of definite-lived intangible assets is computed on the straight-line method over the estimated useful lives of the assets, while indefinite-lived intangible assets are not amortized. Identifiable intangible assets are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The company also tests indefinite-lived intangible assets, consisting of acquired trade names, for impairment at least annually during the fourth quarter. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. 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.

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 $0.3 and $0.4 million at July 1, 2012 and July 3, 2011, relating to prepaid catalog expenses.

Investments

Investments are accounted for using the equity method if the investment provides the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an owenership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The Company records these investments initially at cost, and adjusts the carrying amount to reflect the Company's share of the earnings or losses of the investee, including all adjustments similar to those made in preparing consolidated financial statements. The book value of investments that the Company accounted for under the equity method of accounting was $3.6 million as of July 1, 2012 and $0.0 million as of July 3, 2011. This amount is comprised of the Company's 32% interest in Flores Online, a Sao Paulo, Brazil based internet floral and gift retailer, that the Company made an investment in on May 31, 2012, and is included in Other assets within the Consolidated Balance Sheet. Operating results of Flores Online for the period subsequent to investment through July 1, 2012 were immaterial.

All other equity investments, which consist of investments for which the Company does not possess the ability to exercise significant influence, are accounted for under the cost method as they are privately held. Cost method investments are originally recorded at cost, and are included within Other Assets in the Company's Consolidated Balance Sheets. The aggregate carrying amount of the Company's cost method investments was $1.7 million as of July 1, 2012 and $0.2 million as of July 3, 2011. In addition, the Company had notes receivable from a company it maintains an investment in of $0.9 million as of July 1, 2012 and $1.1 million as of July 3, 2011.

The Company holds certain trading securities associated with its Non-Qualified Deferred Compensation Plan ("NQDC Plan") whose fair values can be readily determined.

Each reporting period, the Company uses available qualitative and quantitative information to evaluate its investments for impairment.

Fair Values of Financial Instruments

The recorded amounts of the Company's cash and equivalents, receivables, accounts payable, and accrued liabilities approximate their fair values principally because of the short-term nature of these items. 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 1, 2012 and July 3, 2011.

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 (money markets) 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 ($2.4 million and $2.5 million at July 1, 2012 and July 3, 2011, 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, net of discounts, returns and credits. Net revenues are recognized upon product shipment and do not include sales tax. Shipping terms are primarily 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 primarily FOB shipping point.

Initial franchise fees are recognized in income when the Company has substantially performed or satisfied all material services or conditions relating to the sale of the franchise and the fees are nonrefundable. Area development fees are nonrefundable and are recognized in income on a pro-rata basis when the conditions for revenue recognition under the individual area development agreements are met. Both initial franchise fees and area development fees are generally recognized upon the opening of a franchise store or upon termination of the agreement between the Company and the franchisee.

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 $75.4 million, $67.9 million and $70.4 million for the years ended July 1, 2012, July 3, 2011 and June 27, 2010, 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. The Company has established deferred 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 these deferred tax assets 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. 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.

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 (loss) 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) that would be antidilutive.

Newly Adopted Accounting Pronouncements

In the first quarter of fiscal 2012, the Company adopted new accounting guidance included in Accounting Standards Update ("ASU") No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* . The amendments in this standard specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This standard also expands the supplemental pro forma disclosures under Accounting Standards Codification ("ASC") Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In the third quarter of fiscal 2012, the Company adopted new accounting guidance included in ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and*

IFRSs. The amendments in this standard generally represent clarification of Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, "Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"), which permits an entity to make a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit's indefinite-lived intangible asset is less than the asset's carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that the fair value of a reporting unit's indefinite-lived intangible asset is more likely than not greater than the asset's carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. ASU 2012-02 is effective for the Company for annual and interim indefinite-lived intangible asset impairment tests performed beginning July 1, 2013, however, early adoption is permitted. The Company is currently evaluating the impact ASU 2012-02 will have on its consolidated financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 "Testing Goodwill for Impairment" (ASU No. 2011-08) which is intended to reduce the complexity and costs to test goodwill for impairment. The amendment allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity will no longer be required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The ASU also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendment becomes effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 30, 2013. Early adoption is permitted. 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 Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" (ASU No. 2011-05), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning with the first quarter of the Company's fiscal year ending on June 30, 2013 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-05 and ASU No. 2011-12 will not have a material impact on the company's consolidated financial position or results of operations.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform to the presentation in the current fiscal year.

Note 3 — Net Income (Loss) Per Common Share from Continuing Operations

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

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands, except per share data)		
Numerator:			
Net income (loss) from continuing operations	**$ 13,126**	$ 5,520	$ (1,254)
Denominator:			
Weighted average shares outstanding	**64,697**	64,001	63,635
Effect of dilutive securities:			
Employee stock options(1)	**40**	16	—
Employee restricted stock awards	**1,502**	1,136	—
	1,542	1,152	—
Adjusted weighted-average shares and assumed conversions	**66,239**	65,153	63,635
Net income (loss) per common share from continuing operations:			
Basic	**$ 0.20**	$ 0.09	$ (0.02)
Diluted	**$ 0.20**	$ 0.08	$ (0.02)

Note (1): The effect of options to purchase 5.5 million, 7.0 million and 8.1 million shares for the years ended July 1, 2012, July 3, 2011, and June 27, 2010, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions and Dispositions

The Company accounts for business combinations in accordance with 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 fair values assigned to identifiable intangible assets acquired were determined primarily by using an income approach which was based on assumptions and estimates made by management. Significant assumptions utilized in the income approach were based on company specific information and projections which are not observable in the market and are therefore considered Level 3 measurements. The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill. Operating results of the acquired entity is reflected in the Company's consolidated financial statements from date of acquisition.

Sale and franchise of Fannie May retail stores

On November 21, 2011, the Company and GB Chocolates LLC (GB Chocolates) entered into an agreement whereby, the Company sold 17 existing Fannie May stores, to be operated as franchised locations by GB Chocolates, for $5.6 million, recognizing a gain on the sale of $3.8 million. Upon completion of the sale, the Company also recognized initial franchise fees associated with these 17 stores in the amount of $0.5 million. In conjunction with the sale of stores, the Company and GB Chocolates entered into an area development agreement whereby GB Chocolates will open a minimum of 45 new Fannie May franchise stores by December 2014. The agreement provides exclusive development rights for several Midwestern states, as well as specific cities in Florida and Ohio. The terms of the agreement include a non-refundable area development fee of $0.9 million, store opening fees of $0.5 million, assuming successful opening of 45 stores, and a non-performance promissory note in the amount of $1.2 million, which becomes due and payable only if GB Chocolates does not open all 45 stores as set forth in the development agreement.

The Company has deferred the $0.9 million area development fee associated with the 45 store area development agreement, and will recognize such fees in income on a pro-rata basis, when the conditions for revenue recognition under the area development agreement is met. Both store opening fees and area development fees are generally recognized upon the opening of a franchise store, or upon termination of the agreement between the Company and the franchisee. The Company recognized approximately $0.2 million, of the $1.2 million promissory note, based upon its assessment of the likelihood that

the performance criteria under the agreement will be achieved. The fair value is impacted by estimates around the possibility of GB Chocolates opening 45 stores, discounted for present value, and the risk associated with counterparty payment. Changes in these assumptions could result in an increase or decrease in fair value which would impact the income statement. There were no significant changes in these estimates during 2012.

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, with annual revenue of approximately $6.1 million and annual operating income of $0.1 million in its most recent year end prior to acquisition. The purchase price, which included the acquisition of receivables, inventory, eight retail store locations and certain other assets and related liabilities, was approximately $4.3 million. Of the acquired intangible assets, $2.1 million was assigned to amortizable investment in licenses, which is being amortized over the estimated useful life of 20 years, based upon the estimated remaining life of the franchise agreements. Approximately $2.4 million of purchase price was assigned to goodwill which is not deductible for tax purposes. The acquisition was financed utilizing available cash balances. Since the date of acquisition, Flowerama's net revenues and income before income taxes of $5.9 million and $0.5 million, respectively, were included in the Company's Consolidated Statement of Operations for the fiscal year ended July 1, 2012.

Acquisition of FineStationery

On May 10, 2011, the Company acquired selected assets of FineStationery Solutions, Inc. (Fine Stationery), a retailer of personalized stationery, invitations and announcements, with annual revenue of approximately $10.1 million in its most recent year end prior to acquisition. 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 of $0.5 million based upon achieving specified operating results during fiscal 2012 through 2014, which is included in other liabilities in the Company's consolidated balance sheet. Of the $1.2 million of acquired intangible assets, $1.1 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. In addition, approximately $1.5 million of the purchase price was assigned to goodwill, which is expected to be deductible for tax purposes. The acquisition was financed utilizing available cash balances. Fine Stationery's net revenues and loss before income taxes of $8.3 million and ($1.1) million, respectively, were included in the Company's Consolidated Statement of Operations for the fiscal year ended July 1, 2012. Based upon the financial performance of Fine Stationery during fiscal 2012, the earn-out for fiscal 2012 was not achieved, and the Company reduced its associated earn-out liability by approximately $0.2 million.

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. The amounts of net revenues and income

before income taxes from the Mrs. Beasley's acquisition included in the Company's fiscal 2012 operating results were not significant.

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 acquisition of Flowerama. This may result in potential adjustments to the carrying value of its 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 Flowerama, Mrs. Beasley's and Fine Stationery:

	Flowerama Purchase Price Allocation	Fine Stationery Purchase Price Allocation	Mrs. Beasley's Purchase Price Allocation
		(in thousands)	
Current assets	$1,090	$ 360	$ 353
Intangible assets	2,106	1,184	585
Goodwill	2,440	1,541	308
Property, plant and equipment	76	269	204
Total assets acquired	5,712	3,354	1,450
Current liabilities	620	20	—
Other liabilities assumed	756	—	—
	1,376	20	—
Net assets acquired	$4,336	$3,334	$1,450

Pro forma Results of Continuing Operations

The following unaudited pro forma results of continuing operations has been prepared as if the acquisitions of Flowerama, Fine Stationery and Mrs. Beasley's had taken place at the beginning of fiscal year 2010. 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 1, 2012 (pro forma)	July 3, 2011 (pro forma)	June 27, 2010 (pro forma)
	(in thousands, except per share data)		
Net revenues from continuing operations	**$716,730**	$689,010	$674,419
Operating income from continuing operations	**$ 23,010**	$ 14,283	$ 4,707
Net income (loss) from continuing operations	**$ 13,007**	$ 6,388	$ (1,066)
Net income (loss) per common share from continuing operations			
Basic	**$ 0.20**	$ 0.10	$ (0.02)
Diluted	**$ 0.20**	$ 0.10	$ (0.02)

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 1, 2012	July 3, 2011
	(in thousands)	
Finished goods	**$26,557**	$26,629
Work-in-process	**10,466**	9,243
Raw materials	**18,721**	15,313
	$55,744	$51,185

Note 6. Goodwill and Intangible Assets

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

	Consumer Floral	BloomNet Wire Service	Gourmet Food and Gift Baskets(1)	Total
		(in thousands)		
Balance at June 27, 2010	$ 5,728	$ —	$ 39,908	$ 45,636
Acquisition of Fine Stationery	1,051	—	—	1,051
Acquisition of Mrs. Beasley's	—	—	308	308
Acquisition related adjustments	—	—	(1,023)	(1,023)
Balance at July 3, 2011	$ 6,779	$ —	$ 39,193	$ 45,972
Acquisition of Flowerama	2,440	—	—	2,440
Acquisition related adjustments	490	—	—	490
Sale of Fannie May stores	—	—	(1,001)	(1,001)
Balance at July 1, 2012	**$ 9,709**	**$ —**	**$ 38,192**	**$ 47,901**

(1) The total carrying amount of goodwill for all periods in the table above is reflected net of $71.1 million of accumulated impairment charges, which were recorded in the GFGB segment.

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.

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

		July 1, 2012			July 3, 2011		
	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**	**$ 7,420**	**$ 5,401**	**$ 2,019**	$ 5,314	$ 5,314	$ —
Customer lists	**3-10 years**	**16,019**	**9,961**	**6,058**	15,804	8,619	7,185
Other	**5-8 years**	**2,538**	**2,173**	**365**	2,538	1,770	768
		25,977	**17,535**	**8,442**	23,656	15,703	7,953
Trademarks with indefinite lives	**—**	**33,396**	**—**	**33,396**	33,795	—	33,795
Total intangible assets		**$59,373**	**$17,535**	**$41,838**	$57,451	$15,703	$41,748

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. There were no impairments of intangible assets during the years ended July 1, 2012, and July 3, 2011.

The amortization of intangible assets for the years ended July 1, 2012, July 3, 2011 and June 27, 2010 was $1.8 million, $2.3 million, and $3.0 million, respectively. Future estimated amortization expense is as follows: 2013 — $1.8 million, 2014 — $1.4 million, 2015 — $1.3 million, and 2016 — $1.2 million, and thereafter — $2.7 million.

Note 7. Property, Plant and Equipment

	July 1, 2012	July 3, 2011
	(in thousands)	
Land	**$ 2,907**	$ 2,907
Building and building improvements	**9,807**	9,807
Leasehold improvements	**16,638**	16,945
Furniture and fixtures	**4,814**	4,362
Production equipment	**28,582**	25,925
Computer equipment	**56,939**	56,413
Telecommunication equipment	**8,196**	8,328
Software	**106,774**	96,132
	234,657	220,819
Accumulated depreciation and amortization	**185,988**	170,911
	$ 48,669	$ 49,908

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	July 1, 2012	July 3, 2011
	(in thousands)	
Payroll and employee benefits	**$ 17,086**	$ 19,403
Advertising and marketing	**12,813**	3,270
Other	**22,636**	20,019
	$ 52,535	$ 42,692

Note 9. Long-Term Debt

	July 1, 2012	July 3, 2011
	(in thousands)	
Term loan(1)	**$ 29,250**	$ 44,250
Revolving line of credit(1)	**—**	—
Obligations under capital leases(2)	**6**	1,488
	29,256	45,738
Less current maturities of long-term debt obligations under capital leases	**15,756**	16,488
	$ 13,500	$ 29,250

(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 year ended June 27, 2010, the Company wrote-off deferred financing costs in the amount of $0.3 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 designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments at inception. 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 came due in April 2012, ranged from 2.99% to 7.48%. Both lines of credit are currently closed, however, the Company also has minimal equipment leases directly with certain manufacturing equipment vendors.

As of July 1, 2012 long-term debt maturities are as follows:

Year	Debt Maturities
	(in thousands)
2013	15,750
2014	13,500
	$29,250

Note 10. 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.

The following table presents by level, within the fair value hierarchy, assets and liabilities measured at fair value on a recurring basis as of July 1, 2012:

	Fair Value Measurements Assets (Liabilities)			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities):				
Cash equivalents (money market accounts)	$27,276	$27,276	—	—
Trading securities held in a "rabbi trust"(1)	1,143	1,143	—	—
Fair value of non-performance promissory note(2)	205	—	—	$205
Interest rate swap(3)	(7)	—	(7)	—
	$28,617	$28,419	(7)	$205

(1) Trading securities held in a rabbi trust are included in Other assets-long term in the consolidated balance sheets (Note 13—Employee Retirement Plans). The Company established a Non-qualified Deferred Compensation Plan for certain members of senior management in fiscal 2009 (Employee contributions were not material until fiscal 2012). Deferred compensation is invested in mutual funds held in a "rabbi trust" and are restricted for payment to participants of the NQDC Plan.

(2) Refer to Note 4. Acquisitions and dispositions— *Sale and franchise of Fannie May retail stores.* Included in other assets long-term on the consolidated balance sheet.

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

The following table presents by level, within the fair value hierarchy, assets and liabilities measured at fair value on a recurring basis as of July 3, 2011:

	Fair Value Measurements Assets (Liabilities)			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities):				
Cash equivalents (money market accounts)	$20,775	$20,775	—	—
Trading securities held in a "rabbi trust"	281	281	—	—
Interest rate swap	(263)	—	(263)	—
	$20,793	$21,056	$(263)	—

Note 11. 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 2008.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. At July 1, 2012, the Company has an unrecognized tax position of approximately $0.5 million, including accrued interest and penalties of $0.1 million. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

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

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)		
Current provision (benefit):			
Federal	**$ (1,643)**	$ 526	$ (213)
State	**1,155**	805	502
	(488)	1,331	289
Deferred provision (benefit):			
Federal	**8,479**	2,080	(25)
State	**(220)**	106	(65)
	8,259	2,186	(90)
Income tax expense	**$ 7,771**	$ 3,517	$ 199

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

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**4.0**	6.8	(31.2)
Non-deductible stock-based compensation	**0.6**	1.9	(25.5)
Non-deductible goodwill amortization	**1.7**	—	(8.9)
Rate change	**(1.1)**	0.1	—
Tax credits	**(2.9)**	(2.9)	9.5
Tax settlements	**—**	(1.6)	—
Other, net	**(0.1)**	(0.4)	2.2
	37.2%	38.9%	(18.9%)

Deferred 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 tax assets (liabilities) are as follows:

	Years Ended	
	July 1, 2012	July 3, 2011
	(in thousands)	
Deferred tax assets:		
Net operating loss and credit carryforwards	**$3,569**	$11,648
Accrued expenses and reserves	**5,680**	5,159
Stock-based compensation	**3,494**	3,452
Gross deferred tax assets	**12,743**	20,259
Less: Valuation allowance	**(1,578)**	(1,776)
	11,165	18,483
Deferred tax liabilities:		
Other intangibles	**(3,036)**	(1,154)
Tax in excess of book depreciation	**(312)**	(504)
	(3,348)	(1,658)
Net deferred tax assets	**$7,817**	$16,825

A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances primarily for net operating loss carryforwards in certain states. At July 1, 2012, the Company's federal net operating loss carryforwards were approximately $3.3 million, which if not utilized, will begin to expire in fiscal year 2025.

Note 12. 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 1, 2012, $8.5 million remains authorized.

Under this program, as of July 1, 2012, the Company had repurchased 3,703,626 shares of common stock for $17.8 million, of which $3.3 million (1,133,913 shares), $0.5 million (168,207 shares), and $0.9 million (342,821 shares) were repurchased during the fiscal years ended July 1, 2012, July 3, 2011 and June 27, 2010, 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 13. 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 1, 2012, the Company has reserved approximately $14.8 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 1, 2012	July 3, 2011	June 27, 2010
	(in thousands, except per share data)		
Stock options	**$1,073**	$1,181	$1,460
Restricted stock awards	**3,777**	2,780	2,423
Total	**4,850**	3,961	3,883
Deferred income tax benefit	**1,796**	1,381	1,245
Stock-based compensation expense, net	**$3,054**	$2,580	$2,638

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

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)		
Marketing and sales	**$1,755**	$1,587	$1,590
Technology and development	**600**	791	795
General and administrative	**2,495**	1,583	1,498
Total	**$4,850**	$3,961	$3,883

Stock-based compensation expense has not been allocated between business segments, but is reflected as part of Corporate overhead. (Refer to Note 14 — 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 1, 2012	July 3, 2011	June 27, 2010
Weighted average fair value of options granted	**$1.84**	$1.23	$1.71
Expected volatility	**72%**	68%	63%
Expected life (in years)	**7.95**	7.5	5.6
Risk-free interest rate	**0.9%**	1.3%	2.4%
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 1, 2012:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	6,915,535	$ 6.08		
Granted	1,027,500	$ 2.63		
Exercised	—	$ —		
Forfeited/Expired	(1,231,755)	$11.91		
Outstanding end of period	6,711,280	$ 4.48	4.7 years	$3,631
Options vested or expected to vest at end of period	6,374,809	$ 4.60	4.5 years	$3,220
Exercisable at July 1, 2012	4,417,280	$ 5.63	2.7 years	$ 781

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 2012 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 1, 2012. 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 1, 2012, July 3, 2011 and June 27, 2010 was $0.0 million, $0.0 million, and $0.0 million, respectively.

The following table summarizes information about stock options outstanding at July 1, 2012:

	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 - 2.63	2,353,500	8.7 years	$ 2.17	198,400	$ 2.00
$ 2.77 - 3.59	1,381,334	4.4 years	$ 3.11	1,260,934	$ 3.11
$ 4.56 - 6.52	1,637,793	1.4 years	$ 6.39	1,620,793	$ 6.41
$ 6.58 - 10.46	1,323,653	2.1 years	$ 7.58	1,322,153	$ 7.57
$ 11.81 - 11.81	15,000	1.4 years	$11.81	15,000	$11.81
	6,711,280	4.7 years	$ 4.48	4,417,280	$ 5.63

As of July 1, 2012, the total future compensation cost related to nonvested options not yet recognized in the statement of operations was $2.6 million and the weighted average period over which these awards are expected to be recognized was 6.2 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 1, 2012:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	3,395,261	$ 2.49
Granted	2,052,486	$ 2.61
Vested	(1,477,894)	$ 2.96
Forfeited	(114,533)	$ 2.58
Non-vested at July 1, 2012	3,855,320	$ 2.37

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

July 1, 2012, there was $5.7 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.1 years.

Note 14. Employee Retirement Plans

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 2012, 2011 and 2010.

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. As of July 1, 2012 and July 3, 2011, these plan liabilities, which are included in Other liabilities-long term within the Company's Consolidated Balance Sheet, totaled $1.1mm and $0.3mm, respectively. The associated plan assets, which are subject to the claims of the creditors, are primarily invested in mutual funds and are included in Other assets-long term. Company contributions during the years ended July 1, 2012, July 3, 2011 and June 27, 2010 were less than $0.1 million. Gains and losses on these investments, which were immaterial during fiscal years 2012, 2011 and 2010, are included in Interest expense, net, within the Company's Consolidated Statements of Operations.

Note 15. Business Segments

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

- Consumer Floral;
- BloomNet Wire Service; and
- Gourmet Food and Gift Baskets; and

On September 6, 2011, the Company, through its Winetasting Network subsidiary, completed the sale of certain assets of its wine fulfillment services business, which was previously included within its Gourmet Foods & Gift Baskets segment. During the first quarter 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 segments. On January 25, 2010, the Company completed the sale of these businesses. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment, and its wine fulfillment services business as discontinued operations for all periods presented.

Segment performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the segments. As such, management's measure of profitability for these segments 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, 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 segment.

Net Revenues

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)		
Net revenues:			
Consumer Floral	**$398,184**	$369,199	$366,516
BloomNet Wire Service	**82,582**	73,282	61,883
Gourmet Food & Gift Baskets	**236,742**	229,390	225,602
Corporate(1)	**773**	1,150	1,071
Intercompany eliminations	**(2,024)**	(1,416)	(1,702)
Total net revenues	**$716,257**	$671,605	$653,370

Operating Income

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)		
Segment Contribution Margin:			
Consumer Floral	**$ 39,147**	$ 32,669	$ 22,141
BloomNet Wire Service	**22,339**	20,195	19,051
Gourmet Food & Gift Baskets(2)	**29,789**	27,776	27,145
Segment Contribution Margin Subtotal	**91,275**	80,640	68,337
Corporate(1)	**(48,490)**	(47,255)	(43,353)
Depreciation and amortization	**(19,576)**	(20,271)	(20,287)
Operating income (loss)	**$ 23,209**	$ 13,114	$ 4,697

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

(2) Segment contribution margin, during the year ended July 1, 2012, includes a $3.8 million gain on the sale of 17 Fannie May retail stores, which are being operated as franchised locations post-sale.

Note 16. Discontinued Operations

On September 6, 2011, the Company, through its Winetasting Network subsidiary, completed the sale of certain assets of its wine fulfillment services business in order to focus on its core Direct-to-Consumer wine business. The sales 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.

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 segments. 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.)

As a result of the transactions above, the Company has classified the results of operations of its Home & Children's Gifts segment, and its wine fulfillment services business as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ 2,003**	$18,184	$102,192
Income (loss) from discontinued operations, net of tax	**$ (22)**	$ 202	$ 2,096
Income (loss) from sale of discontinued operations, net of tax	**$ 4,542**	$ —	$ (5,062)
Income (loss) from discontinued operations	**$ 4,520**	$ 202	$ (4,220)

Note 17. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various 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. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of July 1, 2012 future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	(in thousands)
2013	$12,463
2014	11,450
2015	7,359
2016	6,879
2017	6,120
Thereafter	13,290
Total minimum lease payments	$57,561
Less amounts representing interest	

At July 1, 2012, 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)	
2013	$1,972	$1,972
2014	1,234	1,234
2015	657	657
2016	439	439
2017	231	231
Thereafter	—	—
	$4,533	$4,533

Rent expense was approximately $17.4 million, $17.7 million, and $18.1 million for the years ended July 1, 2012, July 3, 2011 and June 27, 2010, respectively.

Litigation

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

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. On March 6, 2012 and March 15, 2012, two additional purported class action complaints were filed in the United States District Court for the District of Connecticut naming the Company and numerous other parties as defendants in actions purporting to assert claims substantially similar to those asserted in the lawsuit filed on November 10, 2010. In each case, plaintiffs seek to have the respective case certified as a class action and seek restitution and other damages, each in an amount in excess of $5.0 million. On April 26, 2012, the two Connecticut cases were consolidated with a third case previously pending in the United States District Court for the District of Connecticut in which the Company is not a party. The Company intends to defend each of these actions vigorously.

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. At this time, we are unable to estimate a possible loss or range of possible loss for the aforementioned actions for various reasons, including, among others: (i) the damages sought are indeterminate, (ii) the proceedings are in the very early stages and the court has not yet ruled as to whether the classes will be certified , and (iii) there is uncertainty as to the outcome of pending motions. As a result of the foregoing, we have determined that the amount of possible loss or range of loss is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which may be beyond our control.

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 1, 2012 and July 3, 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended July 1, 2012. 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 1, 2012 and July 3, 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 1, 2012, in conformity with U.S. generally accepted accounting principles.

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 1, 2012, 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 14, 2012 expressed an adverse opinion thereon.

Ernst & Young LLP

Jericho, New York
September 14, 2012

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-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 ("U.S. GAAP"), 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 U.S. GAAP, and that receipts and expenditures of the Company are being made 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. 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, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the framework established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of July 1, 2012 as a result of a material weakness in the accounting and disclosure for deferred income taxes as described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness was identified as of July 1, 2012.

As of July 1, 2012, the Company did not maintain effective controls over financial reporting for deferred income taxes. Specifically, our processes and procedures did not provide for adequate and timely identification of deferred tax liabilities on non-amortizable intangibles arising from historical acquisitions prior to fiscal 2007. These errors in purchase price allocation subsequently impacted the goodwill impairment charges recorded by the Company in fiscal 2009. In connection with this review, the Company also identified an issue related to the treatment of deferred tax liabilities on basis differences related to fixed assets which were recorded in error during fiscal years 2009 and prior.

As a result of the material weakness in our internal control over financial reporting described above, management concluded that, as of July 1, 2012, its internal control over financial reporting was not effective.

The Company's independent registered public accounting firm, Ernst & Young LLP, audited the effectiveness of the Company's internal control over financial reporting as of July 1, 2012. Ernst & Young LLP's report on the effectiveness of the Company's internal control over financial reporting as of July 1, 2012 is set forth 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)

Remediation Plans for Material Weakness in Internal Control over Financial Reporting

Subsequent to year-end, the Company believes that it has implemented enhanced internal control procedures to address the material weakness discussed above. In response to the identified material weakness in deferred income taxes, management, with oversight from the Company's Audit Committee, has dedicated significant in-house and external resources to implement enhancements to the Company's internal control over financial reporting so as to remediate the material weakness described above. These ongoing efforts are focused on: (i) expanding our organizational capabilities to improve our monitoring and governance processes over deferred income taxes, (ii) implementing process improvements to strengthen our internal control and monitoring activities over deferred taxes, and (iii) adding resources to the review and oversight process.

Changes in Internal Control over Financial Reporting

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, identified no changes in our internal control over financial reporting that occurred during the fiscal quarter ended July 1, 2012 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's) internal control over financial reporting as of July 1, 2012, 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls related to the Company's process for deferred income taxes. 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 1, 2012 and July 3, 2011 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 1, 2012. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2012 financial statements and this report does not affect our report dated September 14, 2012, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, 1-800-FLOWERS.COM, Inc. and Subsidiaries has not maintained effective internal control over financial reporting as of July 1, 2012, based on the COSO criteria.

Ernst & Young LLP

Jericho, New York
September 14, 2012

Market for Common Equity and Related Stockholder Matters

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The NASDAQ Global Select Market under the ticker symbol "FLWS." There is no established public trading market for the Company's Class B common stock. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the fiscal years ended July 1, 2012 and July 3, 2011.

	High	Low
Year ended July 1, 2012		
July 4, 2011 – October 2, 2011	$ 3.42	$ 2.10
October 3, 2011 – January 1, 2012	$ 2.95	$ 2.08
January 2, 2012 – April 1, 2012	$ 3.13	$ 2.20
April 2, 2012 – July 1, 2012	$ 3.63	$ 2.76
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

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, 2012, there were approximately 308 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, 2012, 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

36,838,802 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, 2012, 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 1, 2012, $8.5 million remains authorized but unused.

Under this program, as of July 1, 2012, the Company had repurchased 3,703,626, shares of common stock for $17.8 million, of which $3.3 million (1,133,913 shares),

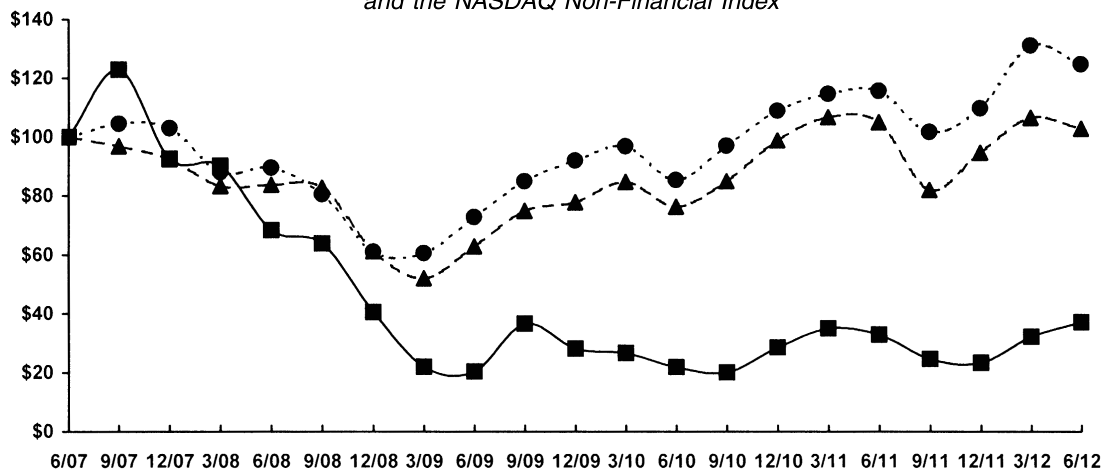
$0.5 million (168,207 shares), and $0.9 million (342,821 shares) were repurchased during the fiscal years ending July 1, 2012, July 3, 2011 and June, 27, 2010, respectively.

The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended July 1, 2012, which includes the period July 4, 2011 through July 1, 2012:

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)			
7/4/11 - 7/31/11	—	$ —	—	$11,825
8/1/11 - 8/28/11	7.6	$2.43	7.6	$11,807
8/29/11 - 10/2/11	—	$ —	—	$11,807
10/3/11 - 10/30/11	399.5	$2.73	399.5	$10,715
10/31/11 - 11/27/11	—	$ —	—	$10,715
11/28/11 - 1/1/12	—	$ —	—	$10,715
1/2/12 - 1/29/12	0.9	$2.92	0.9	$10,712
1/30/12 - 2/26/12	—	$ —	—	$10,712
2/27/12 - 4/1/12	281.8	$2.88	281.8	$ 9,900
4/2/12 - 4/29/12	2.6	$2.97	2.6	$ 9,892
4/30/12 - 5/27/12	228.5	$3.01	228.5	$ 9,203
5/28/12 - 7/1/12	212.9	$3.07	212.9	$ 8,548
Total	1,133.9	$2.89	1,133.9	

*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 6/30/07 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

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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 multibrand website to enhance cross brand marketing efforts, its ability to achieve its guidance for EBITDA and EPS on a comparitive basis (adjusted for the gain from the sale of 17 Fannie May stores) to grow at a double-digit pace in fiscal 2013, and its expectation for Free Cash Flow to again exceed $20 million for the year. 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.

Stock Exchange Listing
NASDAQ Global Select Market
Ticker Symbol: FLWS

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