1·800·FLOWERS.COM, INC.

2013 Annual Report

Getting Social

Delivering Smiles

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 has been honored in Internet Retailer's "Hot 500 Guide" for 2013. 1-800-FLOWERS.COM was recognized for our mobile site with a Gold Award in the Ecommerce/Shopping category of the 2012 Horizon Interactive Awards. 1-800-FLOWERS.COM was also rated number one vs. competitors for customer service by STELLAService in 2011 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 in 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); carved fresh fruit arrangements from FruitBouquets.com℠ (www.fruitbouquets.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 source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday. 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℠

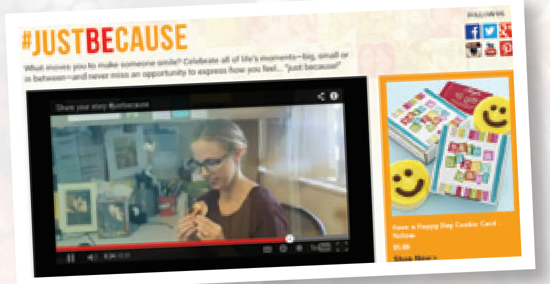
100% SMILE GUARANTEE

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.

Getting Social

In fiscal 2013, we continued to enhance our position as an industry pacesetter in social media programs designed to broaden brand exposure and deepen customer relationships. On Facebook, we have generated nearly a million Likes and people are also connecting with us in rapidly growing numbers via Twitter, Pinterest, Google+, YouTube, Instagram, Vine and numerous other social destinations. In addition, many influential bloggers have become "brand ambassadors" in touting the attributes of our gifting products to readers across the social landscape.

Building on our social initiatives during fiscal 2013, we launched our innovative #JustBecause campaign, inspiring customers to share memorable moments and celebrate the special people in their lives "just because" those special someones deserve the kind of smiles thoughtful gifts can bring. And speaking of smiles, we also extended our "Summer of a Million Smiles" campaign this past year through the volunteer efforts of associates from each of our brands as well as our BloomNet Florists – delivering more than a million smiles to local communities across America and sharing those smile stories through our social networks.



Financial Highlights

(From Continuing Operations(1))

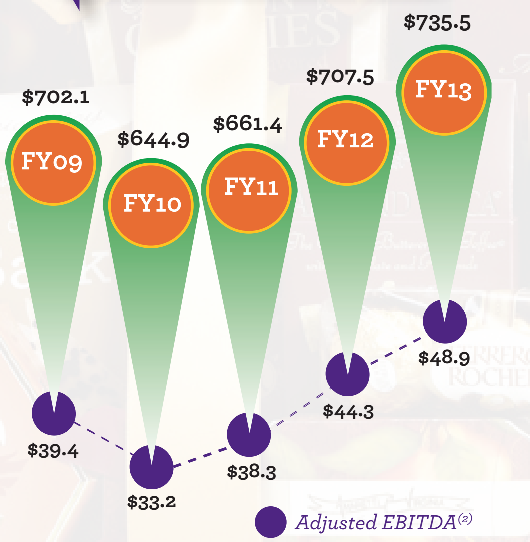
	Years Ended				
	JUNE 30, 2013	**JULY 1, 2012**	**JULY 3, 2011**	**JUNE 27, 2010**	**JUNE 28, 2009**
	(in millions, except percentages and per share data)				
Total Net Revenues	$735.5	$707.5	$661.4	$644.9	$702.1
Gross Profit Margin	41.5%	41.4%	41.6%	40.5%	39.6%
Operating Expense Ratio	38.0%	38.5%	39.5%	39.6%	49.1%
Adjusted EBITDA (excluding stock based compensation)	$ 48.9	$ 44.3(2)	$ 38.3	$ 33.2(2)	$ 39.4(2)
EPS	$ 0.24	$ 0.20	$ 0.10	($ 0.01)	($ 0.88)

(1) During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest its Winetasting.com business. Therefore, the operating results of Winetasting.com have been classified as a discontinued operation for all periods presented. Refer to the Company's Annual Reports on Form 10-K for the fiscal years included in the tables and charts on this page for further discussion of this change as well as changes made in prior year periods herein included.

(2) 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.

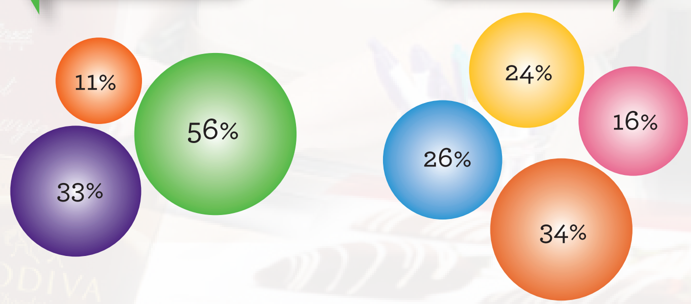
Total Revenues

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



2013 % Revenues

by Category | **by Season**



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

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

Fiscal 2013 Achievements

- Grew total revenues from continuing operations 4.0% to $735.5 million.
- Continued positive trends in the 1-800-Flowers.com Consumer Floral segment, including revenue growth of 3.4%, a 90 basis point improvement in gross profit margin and an increase of more than 20.0% in contribution margin.
- Grew adjusted EBITDA 10.2% to $48.9 million.
- Grew EPS 20.0% to $0.24 per share.
- Finished year with debt-free balance sheet and more than $14 million in free cash flow.

Financial Report Insert

See inside rear cover pocket

To Our Shareholders

Fiscal 2013 represented a third consecutive year of solid top and bottom-line results for our Company. During the year we continued to build on the positive trends that we have been seeing in our business and thereby achieved:

- Solid revenue growth in a lackluster consumer economy,
- Increased gross margin and reduced operating expense ratio,
- Double-digit growth in Adjusted EBITDA and EPS,
- A debt-free balance sheet,
- Significantly enhanced financial flexibility through a new credit facility.

Throughout the year we continued to innovate and invest for the future in key areas including: new product development programs; our technology platform; BloomNet; and our Social and Mobile initiatives, among others. Most important, we continued to deepen the relationships we have with our customers by engaging directly with them to help them ***deliver smiles.***

We achieved ecommerce growth across all of our key brands through a combination of solid unit growth and strong average order values as customers embrace our truly original product offerings. Concurrently, we further reduced our costs as a percent of total revenues by continuing to leverage our operating platform.

Focusing on Profitable Growth

Importantly, we achieved these results despite a lackluster consumer environment that was buffeted throughout the year by headwinds from Super Storm Sandy, the distraction of a contentious national election and the subsequent "fiscal cliff" stalemate in Washington. We believe that this is a testament to the strength of our brands and our focus on managing those aspects of our business where we can exert control and drive consistent, incremental improvements. These include:

- Our marketing initiatives that are designed to engage directly with our customers – increasingly through the fast evolving Social and Mobile channels, to deepen our relationships with them and help them deliver smiles,
- Our merchandising programs featuring truly original products and designs that have helped drive increased orders, higher average order values and growing gross profit margins, and
- Our efforts in manufacturing, sourcing and shipping that have helped absorb rising commodity and fuel costs and enhance our operating cost leverage.

Expanding Market Leadership

During the year, we were particularly pleased with the strong performance of our flagship 1-800-FLOWERS.COM brand, where our ecommerce sales increased 4 percent through a combination of both order growth and average order value. In this area we again increased our gross margin, adding another 90 basis points on top of last year's significant gains, for a strong, full-year gross margin of 39.8 percent.

This was achieved despite the highly promotional nature of the competitive marketplace and reflects our efforts to drive enhanced returns across all of our online and offline marketing and advertising programs. As a result, category contribution margin in this area increased more than 20 percent for the year, to $47.2 million. We believe these results, coupled with the past two years' gains, have enabled us to further extend our market leadership in the Consumer Floral category.

During the year, we also continued to grow the market position for BloomNet, which has established itself as the industry's "go to" wire service for unsurpassed quality, service and innovation. In addition to a number of enhancements to its unique Digital Directory, BloomNet also expanded its suite of online marketing services designed to help florists grow their business, including the introduction of the industry's first mobile point-of-sale (POS) tablet app that integrates with BloomNet's cloud based POS solution.

Deepening Florist Relationships

BloomNet continued to deepen its relationships with professional florists through community-building programs including:

- a new, digital version of the popular Floriology magazine featuring profiles of florists from around the country,
- and, the new "Fresh Forum On The Road" seminar program – which builds on the success of our Floriology Institute in Jacksonville, Florida by taking its educational programs directly to florists in markets across the country.

BloomNet's educational programs were further expanded early in fiscal 2014 with the launch of a comprehensive web-based education platform offering online instruction through a partnership with Udemy, a global online education marketplace.

Through this unique program, BloomNet florists have access to hand-selected courses focusing on customer service, sales, social media, marketing, entrepreneurship, finance and accounting, office productivity, human resources and other best business practices as well as custom developed courses in floral design, product care and handling and several other floral-specific categories.

BloomNet achieved gross margin improvement of 400 basis points to 50.9 percent, primarily driven by the mix of products and services and a nearly 15 percent increase in category contribution margin to $25.6 million for the year. This despite revenues that were essentially flat year-over-year due to the challenging economic environment for florists. We believe BloomNet is poised to further increase its market penetration and drive solid top and bottom line growth in fiscal 2014.

Growing Market Position In Gourmet Food and Gift Baskets

During fiscal 2013, we achieved revenue growth in this area of nearly 7 percent, reflecting strong ecommerce growth, particularly in our Cheryl's and The Popcorn Factory brands. Revenues also benefited from year-over-year growth in our wholesale gift baskets business which showed a solid turnaround after several years of declining sales. Importantly, "sell throughs" by our mass market customers were strong during the key holiday period last year. This has led to higher demand for the upcoming holiday season. As such, we're confident that our wholesale gift baskets business will continue to rebound nicely in fiscal 2014.

In our Fannie May Fine Chocolates brand, while we achieved continued ecommerce growth, the business did not perform up to our expectations during fiscal 2013 due primarily to operational issues at our production facility and a distribution center. As a result, during the second half of the year, we implemented a number of initiatives to address these issues:

- We replaced several members of senior management,
- We realigned reporting lines throughout the company, and
- We added new personnel focused on upgrading operating processes at both the factory and the distribution center.

The costs associated with these issues, combined with the investments we have made to address them, resulted in impacts to both gross margin and category contribution margin for the overall Gourmet Foods and Gift Baskets segment. However, we are confident that the initiatives we have put in place will enable Fannie May to bounce back and perform well – from both a top and bottom line perspective – in fiscal 2014.

Also within this category, we made the decision during the fourth quarter of the year to divest our Winetasting.com business which has proven to be difficult to grow at an acceptable rate due primarily to the many conflicting interstate shipping regulations that apply to wine. This strategic decision will help enhance our bottom-line performance as we focus on our existing brands and, increasingly, develop our new growth initiatives in the gourmet sector.

Delicious New Growth Opportunities

Strong customer response to our expanding line of fruit gifts, specifically to our FruitBouquets and new Fannie May Berries lines, has increased our excitement for the growth opportunities we see here.

In FruitBouquets, during fiscal 2013 we continued to leverage our floral franchise and BloomNet network to increase delivery coverage around the country. Feedback on the FruitBouquets line – from both customers and the florists fulfilling the product for us – has been very positive and we are excited by the long-term opportunity to capture share in a growing market that is already more than half a billion dollars in sales in the U.S. alone.

Equally exciting has been the launch of our new Fannie May Berries line – incredible strawberries, specially selected for their size and freshness that are dipped in REAL Fannie May chocolate. We launched Fannie May Berries in time for the 2013 Valentine holiday and customer demand has continued to grow. Throughout fiscal 2014 we will be working to scale our production and distribution capabilities for this new line and developing marketing campaigns to help drive brand awareness nationwide. Here again, we believe we are well positioned to capture share in an already large and growing market for strawberries, as well as other fruits, dipped in real chocolate…products our customers are increasingly embracing as great gifts, and a great way to deliver a smile.

Strengthening Our Balance Sheet – Zero Debt and Growing Cash

We finished fiscal 2013 with a debt-free balance sheet, having paid off a total of approximately $29.3 million during the year and more than $130 million since fiscal 2008. We accomplished this through solid cash flows – even through an unprecedented recessionary economy – combined with proceeds from divesting non-strategic assets – all while continuing to invest in our core business platform as well as a broad range of initiatives designed to drive long-term growth. During the year, we also continued to return value to shareholders in the form of nearly $10 million used to buy approximately 2.5 million shares of our stock. We believe we are building significant value in our company and, as such, we plan to continue our stock buyback program during fiscal 2014.

During fiscal 2013, we also closed on a new credit facility, providing us with considerable flexibility to grow our business going forward. The facility is comprised entirely of a $200 million revolving line of credit and features a highly advantageous interest rate of LIBOR plus a range of 150 to 225 basis points.

Growth Guidance Reflects Building On Positive Trends

For fiscal 2014, we expect to achieve revenue growth across all three of our business segments with consolidated revenue growth for the year in the mid-single-digit range. We also expect to grow EBITDA and EPS at rates in excess of the expected revenue growth, reflecting our anticipation for continued improvements in gross profit margin and operating leverage across the Company.

We will also continue to invest in key strategic areas that can provide long-term growth, including:

- Our Social and Mobile customer engagement initiatives;
- Our FruitBouquets and Fannie May Chocolate Dipped Strawberries lines;
- Our new #JustBecause collection of social gifts, and
- Our programs to accelerate BloomNet's market penetration.

In terms of Free Cash Flow, we expect to generate approximately $20 million during fiscal 2014 – this despite an expected increase in our Capital Expenditures for the year to approximately $23 million from our recent $17-$18 million range – which reflects an investment associated with the start of a plant expansion to double capacity for our fast growing Cheryl's brand.

While we remain cognizant of the uncertainty in the global economy, we believe the efforts we have underway will help us deepen our relationship with our customers, helping them deliver smiles, and build value for all of our stakeholders. We thank you for your continued support.

Jim

Jim McCann
Chairman and CEO

Chris

Chris McCann
President

1-800-Flowers.com Brand Featured on Saturday Night Live

1-800-FLOWERS.COM achieved strong performance for the fiscal 2013 Mother's Day Holiday, with solid growth in revenues and gross profit margin. Highlighting the great holiday performance was one of the best compliments any brand can receive. 1-800-Flowers.com's place in America's cultural fabric was confirmed, in hilarious fashion, by Saturday Night Live alumna Kristen Wiig who kicked off her highly touted return to the iconic television show by featuring us in a great spoof of Mother's Day family relations (vimeo.com/72110478). This very funny surprise perfectly illustrated the strength of the 1-800-FLOWERS.COM brand – something that we've built our business on for more than 35 years.

JANUARY 2014

In fiscal 2013, 1-800-FLOWERS.COM® accelerated its social marketing initiatives, further deepening relationships with customers. Underscoring this strategy was the creation of the #JustBecause campaign which began with the Company's appearance on the AMC reality show The Pitch. #JustBecause was designed to be social by nature, leveraging an existing conversation...and engaging directly with customers, encouraging them to celebrate life's special moments by sharing their own stories, memories and all their "just because" reasons for giving. 1-800-FLOWERS.COM has implemented its #JustBecause campaign throughout the social landscape on Facebook, Twitter, Instagram, YouTube, Google+, Vine and other destinations, as well as on its own social hub where content is collected. The Company has also created a #JustBecause collection of gifts, enhancing sales opportunities across all of its brands.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14
19	20 *Martin Luther King Jr.'s Birthday (observed)*	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1 *New Year's Day*	2	3	4
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

FEBRUARY 2014

When it comes to helping people deliver smiles to the important people in their lives, 1-800-FLOWERS.COM® believes that customers should never settle for less, regardless of how much they want to spend. Illustrating this approach is the Company's "good-better-best" merchandising strategy designed to accommodate any gifting budget while placing the focus on "better and "best" products that provide both creativity and real value. Embodying this strategy are truly original products designed to "wow" gift recipients, such as Cheryl's hit cookie flower pots and delectable Fannie May® Berries featuring large and luscious strawberries dipped in 100% real Fannie May fine chocolate.

SUNDAY	MONDAY	TUESDAY
2 *Groundhog Day*	3	4
9	10	11
16	17 *Presidents' Day*	18
23	24	25

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14 *Valentine's Day*	15
19	20	21	22
26	27	28	

MARCH 2014

Getting Social means Going Mobile. In fiscal 2013, 1-800-FLOWERS.COM® continued to invest in the development of innovative mobile technologies designed to engage customers on their mobile devices. The Company rolled out another floral industry-first, providing a unified experience across its award winning mobile-enabled website and its apps for iOS (iPhone) and Android mobile devices. This assures brand consistency while enabling customers to quickly find the perfect gift whether they're using a mobile browser or if they download an app from an app store. These initiatives captured a coveted Horizon Interactive® "Gold Award" in the Global Electronic Commerce/Shopping category. 1-800-FLOWERS.COM also launched mobile sites for The Popcorn Factory®, Fannie May® and Cheryl's®, creating a fully mobilized shopping experience on smartphones for its great gourmet gift brands.

SUNDAY	MONDAY	TUESDAY
2	3	4
9	10	11
16	17 St. Patrick's Day	18
23 / 30	24 / 31	25


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

APRIL 2014

Continuing education is vital to the growth of the floral industry and during fiscal 2013 BloomNet® further solidified its relationships with thousands of local, professional florists by widening its offering of educational opportunities. Complementing its industry-accredited Floriology Institute in Jacksonville, Florida, BloomNet has teamed with Udemy to create Floriology Institute Online. Udemy is a trusted source for learning, offering over 11,000 on-demand courses to more than a million users. Through the Floriology Institute in Jacksonville combined with the new Floriology Institute Online, retail florists can take advantage of an extensive and versatile educational curriculum designed to increase their profitability...including courses in customer service, sales, and marketing as well as custom-developed courses in floral design, product care and handling and several other floral-specific categories.

SUNDAY	MONDAY	TUESDAY
		1 *April Fools Day*
6	7	8
13	14 *Passover Begins at Sunset*	15
20 *Easter*	21 *Administrative Professionals' Week Begins*	22
27	28	29



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

MAY 2014

1-800-FLOWERS.COM® is committed to providing an unparalleled gift buying experience. Backing that commitment is a caring team of associates obsessed with service and a 100% "Smile Guarantee" that ensures only the freshest and most beautiful flowers as well as the finest gourmet foods. The Company has been rated number-one versus competitors for customer service by STELLAService and ranked number-two by Conversocial for social customer service satisfaction as compared to 100 of the top Internet retailers. Perhaps at no other time of the year is customer service more important than Mother's Day, an occasion near and dear to the hearts of millions. During the 2013 Mother's Day holiday, 1-800-FLOWERS.COM recorded its lowest customer issues and highest customer satisfaction ratings on record, speaking volumes to the attention to detail and teamwork of the Company's customer service representatives.

SUNDAY	MONDAY	TUESDAY
4	5 Cinco dé Mayo	6
11 Mother's Day	12	13
18	19	20
25	26 Memorial Day (observed)	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2 *National Bring Your Mom to Work Day*	3
7	8	9	10
14	15	16	17
21	22	23	24
28	29	30	31

JUNE 2014

During fiscal 2013, for the second summer in a row, 1-800-FLOWERS.COM® accomplished (and exceeded!) its goal of delivering a million smiles through its "Summer of a Million Smiles" program. The community-based outreach program involves associates across all of the Company's brands, and BloomNet® florists, giving back to local neighborhoods by volunteering their time and sharing their smile stories via 1-800-FLOWERS.COM's growing social networks. Among the inspirational stories was the Company's assistance in raising tens of thousands of dollars for the Make-A-Wish® Foundation, collaboration with the YMCA to send underprivileged kids to summer camp, donations for local food banks, visits to hospitals and nursing homes, and many other efforts. Furthering its commitment beyond the summer months, 1-800-FLOWERS.COM is extending the "Million Smiles" program throughout the year.

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15 *Father's Day*	16	17
22	23	24
29	30	

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

JULY 2014

Creating a smile with the right gift, for the right person, at the right time should be a very personal experience. 1-800-FLOWERS.COM® is increasingly adding personalization capabilities to its product line as a way of helping customers express themselves perfectly to all the special people on their gift list. For example: with the Company's Message in a Bottle® customers can convey their deepest feelings straight from the heart by choosing thoughtful pre-printed poems and also custom-creating a message of their own. Vase Expressions® enables customers to upload photos and messages to create personalized vases and make floral arrangements truly original. Customers can also choose personalized tins from The Popcorn Factory® filled with scrumptious treats and adorned with customer-uploaded photos.

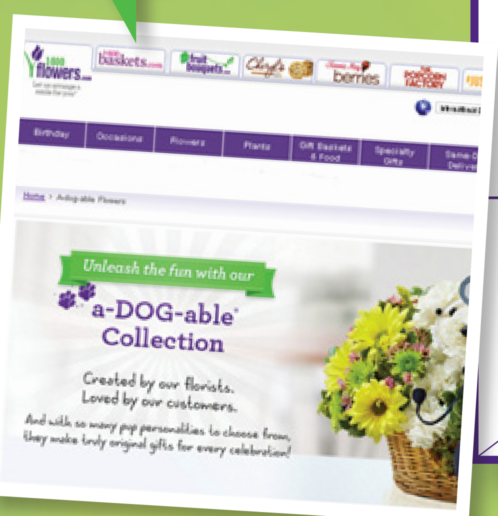
SUNDAY	MONDAY	TUESDAY
		1
6	7	8
13	14 Bastille Day	15
20	21	22
27 Parents' Day	28	29



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

AUGUST 2014

As the world's leading florist and gift shop, 1-800-FLOWERS.COM® offers an unmatched array of gifts for all the celebratory occasions in our customers' lives. Making it easy to choose the perfect gift is the Company's multi-brand website. Shoppers can add items to their shopping cart from any (or all) of six brands and conveniently complete check-out from one location. Shared account information allows customers to log-in and retrieve their account data across each of the brands – accessing securely stored addresses, "Fresh Rewards" incentives and "Passport" pay-one-price shipping discounts. Besides its customer advantages, the multi-brand portal provides cross-brand awareness and added merchandising opportunities while also enabling all the brands to simultaneously benefit from new technical and functional developments.



SUNDAY	MONDAY	TUESDAY
3	4 *National Friendship Week Begins*	5
10	11	12
17	18	19
24 / 31	25	26

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

SEPTEMBER 2014

The BloomNet® wire service continues to fortify its position as the floral industry's foremost resource for innovative services and products designed to broaden profit potential for retail florists. Helping to drive BloomNet's success is a commitment to building community. This was exemplified by the 2013 1-800-Flowers Floral Convention, which for the second straight year achieved record attendance. Another key element in BloomNet's efforts to enhance community in the floral industry is the monthly Floriology® magazine – available both in print and digitally – offering design ideas and business insights submitted by florists from across the nation and internationally. Also setting BloomNet apart is the best-in-class technology it provides to florists, including the industry's first online directory, a state of the art business management system, and a feature-rich interactive tablet app.

SUNDAY	MONDAY	TUESDAY
	1 Labor Day	2
7 Grandparents Day	8	9
14	15	16
21	22	23 First Day of Fall
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11 *Patriot Day*	12	13
17	18	19	20
24 *Rosh Hashanah Begins at Sunset*	25	26	27

OCTOBER 2014

In fiscal 2013, 1-800-FLOWERS.COM® initiated a comprehensive social merchandising strategy stemming from the Company's #JustBecause marketing campaign. #JustBecause was inspired by conversations already taking place in the social landscape. The campaign celebrates all of life's moments...big, small and in between...providing customers with many thoughtful ways to express their feelings and share gifts "just because" someone deserves a smile. Customers can select from a wide assortment of gifts available for as little as $5 throughout the 1-800-FLOWERS.COM family of brands, including taste-tempting choices from Fannie May® Fine Chocolates, Cheryl's® baked goods, 1-800-Baskets.com® and The Popcorn Factory® as well as imaginative floral gifts from 1800Flowers.com®.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13 Columbus Day (observed)	14
19	20	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3 *Yom Kippur Begins at Sunset*	4
8 *National Children's Day*	9	10	11
15	16 *National Boss's Day*	17	18 *Sweetest Day*
22	23	24	25
29	30	31 *Halloween*	

NOVEMBER 2014

The Business Gift Services division of 1-800-FLOWERS.COM® redesigned its website in fiscal 2013, creating a true one-stop shopping experience that enables customers to purchase gifts from all of the Company's brands more conveniently than ever before. In addition, the division implemented several other new initiatives including: bulk order processing that makes it easy for corporate customers to submit large recipient lists while maintaining a database for gifting reminders; partnership agreements with member-based organizations such as AARP; floral subscription services providing management of weekly deliveries for the hospitality industry; a platform whereby airlines, credit card companies and other businesses that offer loyalty and reward programs can earn redeemable points; and the enhancement of the division's physical presence via regional account executives who support business partnerships and grow brand awareness on a local level.

SUNDAY	MONDAY	TUESDAY
2	3	4 *Election Day*
9	10	11 *Veterans Day*
16	17	18
23 / 30	24	25

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

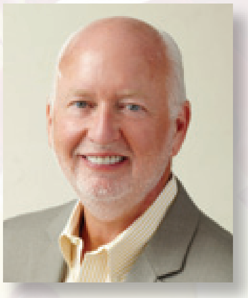
DECEMBER 2014

Customers who are looking for uniquely designed gifts that are sure to be greatly appreciated during the holidays and throughout the year know they can look to 1-800-FLOWERS.COM®. Among the Company's truly original products are exclusive hand-crafted floral collections including irresistible a-DOG-able® "puppy" arrangements and whimsical Happy Hour Bouquets® creatively designed to look like actual "cocktails." Also a favorite choice of customers at holiday time and for a myriad of other occasions during the rest of the year are incredible, carved fresh fruit arrangements from FruitBouquets.com℠. These enticing gifts boast succulent strawberries, melons, grapes, pineapples and oranges all expertly "arranged" in gift baskets and customized containers.

SUNDAY	MONDAY	TUESDAY
	1	2
7	8	9
14	15	16 Hanukkah Begins at Sunset
21 First Day of Winter	22	23
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17	18	19	20
24	25 *Christmas Day*	26 *First Day of Kwanzaa*	27
31			

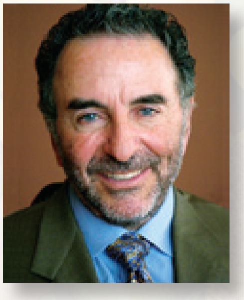
Board of Directors



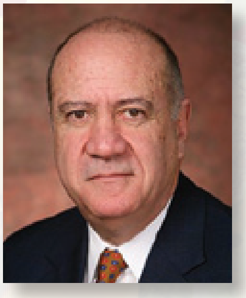
James F. McCann
Chairman and
Chief Executive Officer
1-800-FLOWERS.COM, Inc.

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

Geralyn R. Breig
Former President
Avon North America



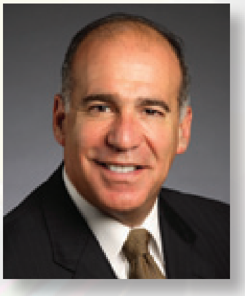
James A. Cannavino
IBM Company
Senior Vice President
Retired



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

Leonard J. Elmore
Network Television
Sports Analyst
Attorney at Law

Lawrence V. Calcano
Founder
i1 Biometrics, Inc.
Chairman, Bite Tech



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

Corporate Officers

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

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

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

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

Stephen Bozzo
Chief Information Officer
1-800-FLOWERS.COM, Inc.

Thomas Hartnett
President
Consumer Floral Brand
1-800-FLOWERS.COM, Inc.

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

Mark Nance
President
BloomNet
1-800-FLOWERS.COM, Inc.

Fiscal Year 2013

Financial Report

1·800·FLOWERS.COM, INC.

Selected Financial Data

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

The selected consolidated statement of operations data for the years ended June 30, 2013, July 1, 2012 and July 3, 2011 and the consolidated balance sheet data as of June 30, 2013 and July 1, 2012, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for the years ended June 27, 2010 and June 28, 2009, and the selected consolidated balance sheet data as of July 3, 2011, June 27, 2010 and June 28, 2009, 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 Pingg Corp in May 2013, Flowerama in August 2011, 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 completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement business of the Winetasting Network to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. Consequently, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation 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				
	June 30, 2013	July 1, 2012	July 3, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)				
Net revenues	**$735,497**	$707,517	$661,389	$644,913	$702,145
Cost of revenues	**430,305**	414,940	386,296	383,981	424,115
Gross profit	**305,192**	292,577	275,093	260,932	278,030
Operating expenses:					
Marketing and sales	**186,720**	181,199	171,960	169,396	173,617
Technology and development	**21,700**	20,426	20,109	17,581	20,649
General and administrative	**52,188**	51,474	48,701	48,468	48,634
Depreciation and amortization	**18,798**	19,540	20,237	20,257	19,741
Goodwill and intangible impairment	**—**	—	—	—	82,462
Total operating expenses	**279,406**	272,639	261,007	255,702	345,103
Gain on sale of stores	**—**	3,789	—	—	—
Operating income (loss)	**25,786**	23,727	14,086	5,230	(67,073)
Interest expenses, net	**(991)**	(2,635)	(3,993)	(5,548)	(9,297)
Income (loss) from continuing operations before income taxes	**24,795**	21,092	10,093	(318)	(76,370)
Income tax expense (benefit) from continuing operations	**9,073**	7,771	3,903	465	(20,715)
Income (loss) from continuing operations	**15,722**	13,321	6,190	(783)	(55,655)
Income (loss) from discontinued operations, net of tax	**(3,401)**	4,325	(468)	(3,437)	(41,912)
Net income (loss)	**$ 12,321**	$ 17,646	$ 5,722	$ (4,220)	$ (97,567)
Net income (loss) per common share (basic):					
From continuing operations	**$ 0.24**	$ 0.21	$ 0.10	$ (0.01)	$ (0.88)
From discontinued operations	**$ (0.05)**	$ 0.07	$ (0.01)	$ (0.05)	$ (0.66)
Net income (loss) per common share (basic)	**$ 0.19**	$ 0.27	$ 0.09	$ (0.07)	$ (1.53)
Net income (loss) per common share (diluted):					
From continuing operations	**$ 0.24**	$ 0.20	$ 0.10	$ (0.01)	$ (0.88)
From discontinued operations	**$ (0.05)**	$ 0.07	$ (0.01)	$ (0.05)	$ (0.66)
Net income (loss) per common share (diluted)	**$ 0.19**	$ 0.27	$ 0.09	$ (0.07)	$ (1.53)
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**64,369**	64,697	64,001	63,635	63,565
Diluted	**66,792**	66,239	65,153	63,635	63,565

Selected Financial Data *(continued)*

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

	As of				
	June 30, 2013	July 1, 2012	July 3, 2011	June 27, 2010	June 28, 2009
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents and short-term investments	**$ 154**	$ 28,854	$ 21,442	$ 27,843	$ 29,562
Working capital	**16,886**	29,721	17,303	22,963	43,679
Total assets	**250,073**	262,213	259,075	256,936	286,977
Long-term liabilities	**5,039**	17,080	32,242	48,745	73,945
Total stockholders' equity	**169,271**	161,748	142,511	133,476	134,633

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 has been honored in Internet Retailer's "Hot 500 Guide" for 2013. The 1-800-FLOWERS.COM mobile commerce site was recognized with a Gold Award in the Ecommerce/ Shopping category of the 2012 Horizon Interactive Awards. 1-800-FLOWERS.COM was also rated number one vs. competitors for customer service by STELLAService in 2011 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 in 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); 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.

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement business of the Winetasting Network to focus on growth opportunities in its Gourmet Foods & Gift Baskets business segment. The Company anticipates completing the sale of the Winetasting Network business in fiscal 2014. Consequently, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation 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 2013 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, as well as marketing efficiency and merchandising innovation which has driven cost effective revenue growth, the Company has been able to make significant annual improvements in EBITDA compared to the low point of the recession during fiscal 2010. As stated in prior years, 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, and the future of the recovery remains uncertain, 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.

Recognizing the need to balance the Company's short and long-term operating and financial goals, the Company's primary objective during fiscal 2014 is to continue to build on the revenue and earnings momentum generated over the past several years, while minimizing business risk during the uncertain economic environment. Tempered by the current economic climate, during fiscal 2014, the Company expects to achieve revenue growth across all three of its business segments with consolidated revenue growth for the year anticipated to be in the mid-single-digit range. The Company expects to grow EBITDA and EPS at rates in excess of expected revenue growth, reflecting anticipated continued improvements in gross profit margin and operating leverage.

The Company's fiscal 2014 guidance is based on the positive trends —both top and bottom-line —that the Company has seen over the past three 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 revenue growth and enhanced earnings results, including:

- merchandising initiatives featuring truly original products and designs that have helped drive increased orders, average order value and gross profit margins;
- marketing programs that are designed to engage directly with our customers to deepen our relationships with them and help them deliver smiles;
- efforts in manufacturing, sourcing and shipping that have helped absorb rising commodity and fuel costs, combined with enhanced operating cost leverage;
- initiatives to improve the operational performance of our Fannie May brand; and
- innovation for the future, including its industry leading efforts in Social and Mobile arenas, BloomNet, Fruit Bouquets and Fannie May Berries.

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, as well as its e-commerce and procurement businesses of The Winetasting Network, which had previously been included within its Gourmet Foods & Gift Baskets category, has been classified as discontinued operations and therefore excluded from category information below.

Net Revenues from Continuing Operations:

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Net revenues from continuing operations:					
Consumer Floral	**$411,526**	3.4%	$398,184	7.9%	$369,199
BloomNet Wire Service	**81,822**	(0.9%)	82,582	12.7%	73,282
Gourmet Food & Gift Baskets	**243,225**	6.7%	228,002	4.0%	219,174
Corporate(*)	**789**	2.1%	773	(32.8%)	1,150
Intercompany eliminations	**(1,865)**	7.9%	(2,024)	(42.9%)	(1,416)
Total net revenues from continuing operations	**$735,497**	4.0%	$707,517	7.0%	$661,389

Gross Profit from Continuing Operations:

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Gross profit:					
Consumer Floral	**$163,726**	5.7%	$154,892	10.5%	$140,163
	39.8%		38.9%		38.0%
BloomNet Wire Service	**41,674**	7.6%	38,737	5.0%	36,877
	50.9%		46.9%		50.3%
Gourmet Food & Gift Baskets	**98,839**	0.5%	98,382	0.9%	97,480
	40.6%		43.1%		44.5%
Corporate(*)	**953**	68.4%	566	(1.2%)	573
Intercompany eliminations	**—**		—		—
Total gross profit from continuing operations	**$305,192**	4.3%	$292,577	6.4%	$275,093
	41.5%		41.4%		41.6%

Adjusted EBITDA(**) from Continuing Operations:

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Segment Contribution Margin(**):					
Consumer Floral	**$ 47,193**	20.6%	$ 39,147	19.8%	$ 32,669
BloomNet Wire Service	**25,611**	14.6%	22,339	10.6%	20,195
Gourmet Food & Gift Baskets(***)	**20,345**	(32.6%)	30,193	5.8%	28,544
Segment Contribution Margin Subtotal	**93,149**	1.6%	91,679	12.6%	81,408
Corporate(*)	**(48,565)**	(0.3%)	(48,412)	(2.8%)	(47,085)
EBITDA from continuing operations	**44,584**	3.0%	43,267	26.1%	34,323
Add: Stock-based compensation	**4,283**	(11.7%)	4,850	22.4%	3,961
EBITDA from continuing operations, excluding stock-based compensation	**48,867**	1.6%	48,117	25.7%	38,284
Adjusted for:					
Gain on sale of stores(***)	**—**	—	(3,789)	—	—
Adjusted EBITDA from continuing operations, excluding stock-based compensation	**$ 48,867**	10.2%	$ 44,328	15.8%	$ 38,284

Discontinued Operations:

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(dollars in thousands)		
Net revenues from discontinued operations	**$ 5,154**	$ 10,743	$ 28,399
Gross profit from discontinued operations	**149**	1,787	4,992
Adjusted EBITDA from discontinued operations	**$ (2,769)**	$ (672)	$ (194)

(*) 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 segment.

(**) Performance is measured based on segment contribution margin or segment 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 gains or 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 segment contribution margin during the fiscal year ended July 1, 2012, includes a $3.8 million gain ($2.4 million, net of tax) on the sale of 17 Fannie May retail stores, which are being operated as franchised locations post-sale.

Due to certain one-time charges, the following Non-GAAP reconciliation table has been included within MD&A.

Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA from Continuing Operations:

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands)		
Net income from continuing operations	**$ 15,722**	$ 13,321	$ 6,190
Add:			
Interest expense, net	**991**	2,635	3,993
Depreciation and amortization	**18,798**	19,540	20,237
Income tax expense	**9,073**	7,771	3,903
EBITDA from continuing operations	**44,584**	43,267	34,323
Add: Stock-based compensation	**4,283**	4,850	3,961
EBITDA from continuing operations, excluding stock-based compensation	**48,867**	48,117	38,284
Less:			
Gain on sale of stores(**)	**—**	3,789	—
Adjusted EBITDA from continuing operations	**$ 48,867**	$ 44,328	$ 38,284

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 2013 and 2012 consisted of 52 weeks which ended on June 30, 2013 and July 1, 2012, respectively, whereas fiscal year 2011 consisted of 53 weeks, which ended on July 3, 2011.

Net Revenues

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Net revenues:					
E-Commerce	**$536,550**	4.7%	$512,247	6.4%	$481,403
Other	**198,947**	1.9%	195,270	8.5%	179,986
	$735,497	4.0%	$707,517	7.0%	$661,389

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

During the fiscal year ended June 30, 2013, revenues increased by 4.0% in comparison to the prior year as a result of: (i) continued growth within the Consumer Floral segment, specifically due to strong 1-800-Flowers brand sales during the key floral holidays, and (ii) growth within the Gourmet Food & Gift Baskets segment, attributable to strong e-commerce growth from Cheryl's and The Popcorn Factory brands, as well as by DesignPac's wholesale gift baskets business, which rebounded after several years of declines, (iii) partially offset by a decline within the BloomNet segment.

During the fiscal year ended July 1, 2012 revenues increased by 7.0% over the prior year period, as a result of growth across all segments, including the Consumer Floral category, reversing the trend after two years of revenue declines. 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, 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 53rd 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 53rd week in fiscal 2011, the Company's revenues increased by 5.5% during the fiscal year ended July 1, 2012.

E-commerce revenues (combined online and telephonic) increased by 4.7% and 6.4% during the years ended June 30, 2013 and July 1, 2012, respectively. The Company fulfilled approximately 8.7 million, 8.2 million and 8.1 million e-commerce orders during fiscal 2013, 2012 and 2011, respectively, while average order value was $61.60 in fiscal 2013 compared to $62.26 in fiscal 2012 and $59.38 in fiscal 2011. 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, Cheryl's cookie cards and Fannie May Berries, 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 1.9% and 8.5% during fiscal 2013 and fiscal 2012, respectively. The increase in this sales channel during fiscal 2013, compared to fiscal 2012, was primarily attributable to growth by the DesignPac wholesale gift baskets business, partially offset by a decline in Fannie May wholesale volume. The increase in this sales channel during fiscal 2012, in comparison to the prior year, was primarily due to 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 fiscal 2012 revenues in comparison to fiscal 2011, 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), 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 June 30, 2013 and July 1, 2012, increased by 3.4% and 7.9% 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, 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 53rd 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 53rd 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 year ended June 30, 2013 decreased by 0.9%, compared to the prior year, as a result of a decline in lower margin shop-to-shop order volume and a decline in wholesale product sales, partially offset by growth in high margin services, including web marketing, directory advertising and the florist selection guide. Revenue during the year ended July 1, 2012 increased by 12.7% in comparison to the prior year, primarily as a result of increased shop-to-shop order volume and wholesale product sales. While shop-to-shop order volume has an impact on revenues, as noted below, the impact of these revenue increases/decreases on gross profit and contribution margin is significantly less than BloomNet's normal product/service revenue.

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, Stockyards.com and DesignPac businesses. Revenue is derived from the sale of gift baskets, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, 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 June 30, 2013 and July 1, 2012, increased by 6.7% and 4.0%, respectively, in comparison to the prior years. Growth during the fiscal year ended June 30, 2013 was primarily due to: (i) e-commerce growth from Cheryl's and The Popcorn Factory brands due to new product introductions, including items such as, "cookie bouquets" and "cookie cards", and (ii) recovery within DesignPac's wholesale gift baskets business, which rebounded after several years of declines, partially offset by a decline in Fannie May wholesale volume. 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 53rd week in fiscal 2011, was approximately 3.3%.

For fiscal 2014, 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				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Gross profit	**$305,192**	4.3%	$292,577	6.4%	$275,093
Gross margin %	**41.5%**		41.4%		41.6%

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 June 30, 2013, in comparison to the prior year period, due to the aforementioned revenue growth, combined with gross margin expansion. The Company's gross margin percentage increased 10 basis points as a result of improvements within the Consumer Floral segment, as well as BloomNet, partially related to sales mix, offset in part by an overall decrease in the gross margin percentage achieved by the Gourmet Food & Gift Baskets segment, resulting from operational difficulties experienced by the Fannie May brand. During fiscal 2012, the Company's gross margin percentage decreased 20 basis points, in comparison to the prior year, 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.

The Consumer Floral category gross profit increased by 5.7% and 10.5% during the fiscal years ended June 30, 2013 and July 1, 2012, respectively, as compared to the respective prior year periods, due to the higher revenue, as described above, as well as gross margin improvements of 90 basis points in each year, resulting from merchandising sourcing and logistics initiatives, combined with 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.

The BloomNet Wire Service category gross profit increased by 7.6% and 5.0% during the fiscal years ended June 30, 2013 and July 1, 2012, respectively. The gross profit increases are primarily the result of an increase in high margin service offerings, including web marketing, directory advertising, and the product selection guide. Gross margin percentage, which increased to 50.9% during fiscal 2013, compared to 46.9% in fiscal 2012 and 50.3% in fiscal 2011, reflects the sales mix impact of wholesale product orders and low margin shop-to-shop order volume, both of which increased in fiscal 2012, but declined in fiscal 2013.

The Gourmet Food & Gift Baskets category gross profit increased by 0.5% and 0.9% during the fiscal years ended June 30, 2013 and July 1, 2012, in comparison to the prior years, due to the above mentioned revenue increases, partially offset by gross margin percentage decreases of 250 basis points and 140 basis points, respectively. The decrease in gross margin percentage during fiscal 2013 was primarily attributable to production/distribution issues at Fannie May, combined with the impact of product mix which reflected an increase in lower margin DesignPac wholesale gift baskets, and a decrease in higher margin Fannie May retail volume due to the prior year sale of 17 Fannie May stores. 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.

For fiscal 2014, the Company expects its gross margin percentage will improve in comparison to fiscal 2013 as a result of expected changes in sales mix, and improvements in product sourcing, supply chain and manufacturing efficiencies.

Marketing and Sales Expense

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Marketing and sales	**$186,720**	3.0%	$181,199	5.4%	$171,960
Percentage of sales	**25.4%**		25.6%		26.0%

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

During the fiscal year ended June 30, 2013, marketing and sales expense increased by 3.0%, compared to the prior year, as a result of: (i) higher advertising costs incurred by the 1-800-Flowers brand, which drove cost efficient revenue growth, and for the successful launch of Fannie May Berries, (ii) increased labor due to growth initiatives within the 1-800-Flowers brand, and incremental labor required to support the growth achieved by the DesignPac wholesale business. 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 25.6% in fiscal 2012 to 25.4% in fiscal 2013.

During the fiscal year ended July 1, 2012, marketing and sales expense increased by 5.4% 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. As a result of spending efficiencies achieved during the year, marketing and sales expense, as a percentage of net revenues, decreased from 26.0% in fiscal 2011 to 25.6% in fiscal 2012.

During the fiscal year ended June 30, 2013, the Company added approximately 2.3 million new e-commerce customers, compared to 2.0 million in fiscal 2012, and 2.3 million in fiscal 2011. Of the 4.9 million total customers who placed e-commerce orders during fiscal 2013, approximately 52% were repeat customers, (56% in fiscal 2012), reflecting the Company's growth in new customer acquisition.

Technology and Development Expense

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Technology and development	**$21,700**	6.2%	$20,426	1.6%	$20,109
Percentage of sales	**3.0%**		2.9%		3.0%

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

During the fiscal year ended June 30, 2013, technology and development expense increased by 6.2%, compared to the prior year, as a result of increased labor costs required to support and implement new strategic architecture programs, including website and supply chain improvement initiatives.

During the fiscal year ended July 1, 2012, technology and development expense increased by 1.6% compared to the prior year, as a result of the incremental costs associated with the acquisitions of Mrs. Beasley's, Fine Stationery and Flowerama.

During the fiscal years ended June 30, 2013, July 1, 2012, and July 3, 2011 the Company expended $37.3 million, $32.7 million, and $32.2 million, respectively, on technology and development, of which $15.6 million, $12.3 million, and $12.1 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
General and administrative	**$52,188**	1.4%	$51,474	5.7%	$48,701
Percentage of sales	**7.1%**		7.3%		7.4%

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 1.4% during the fiscal year ended June 30, 2013, compared to the prior year, as a result of increased health insurance and worker's compensation claims, and annual compensation rate increases, partially offset by a reduction in performance-based bonuses.

General and administrative expense increased by 5.7% during the fiscal year ended July 1, 2012, compared to the prior year, 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.

Depreciation and Amortization

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Depreciation and amortization	**$18,798**	(3.8%)	$19,540	(3.4%)	$20,237
Percentage of sales	**2.6%**		2.8%		3.1%

Depreciation and amortization expense decreased by 3.8% and 3.4% during the fiscal years ended June 30, 2013 and July 1, 2012, respectively, compared to the prior year periods, as a result of the Company's efforts in prior 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. 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 recognition of $0.7 million, of the original $0.9 million area development fee associated with the 45 store area development agreement, based upon the number of stores opened by GB Chocolates as of June 30, 2013. The Company will recognize the remaining deferred revenue of $0.7 million 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 in the second quarter of fiscal 2012, based upon its assessment of the likelihood that the performance criteria under the agreement will be achieved.

Interest Expense, net

	Years Ended				
	June 30, 2013	% Change	July 1, 2012	% Change	July 3, 2011
	(dollars in thousands)				
Interest expense, net	**$ (991)**	62.4%	$ (2,635)	34.0%	$ (3,993)

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 interest expense decreased during the fiscal years ended June 30, 2013 and July 1, 2012, in comparison to the respective prior years, due to scheduled repayments of amounts outstanding under the Company's term loan, combined with reduced borrowing rates. Additionally, fiscal 2013 benefited from the payoff of its term loan in the fourth quarter. On April 11, 2013, the Company entered into a Third Amended and Restated Credit Agreement (the "2013 Credit Facility"), consisting of a revolving line of credit, with a seasonally adjusted limit, ranging from $150.0 to $200.0 million and a working capital sublimit ranging from $25.0 to $75.0 million. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, will bear interest at the Company's option at either: (i) LIBOR, plus a spread of between 150 and 225 basis points, as determined by the Company's leverage ratio, or (ii) the agent bank's prime rate plus a margin. At June 30, 2013, the Company had no outstanding debt.

Income Taxes

During the fiscal years ended June 30, 2013, July 1, 2012 and July 3, 2011, the Company recorded income tax expense of $9.1 million, $7.8 million and $3.9 million, respectively, resulting in an effective tax rate of 36.6%, 36.8% and 38.7%, respectively. The Company's effective tax rate 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, combined with various tax credits/settlements.

At June 30, 2013, the Company's federal net operating loss carryforwards were approximately $3.1 million, which, if not utilized, will begin to expire in fiscal year 2025.

Discontinued Operations

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. The sales price consisted of $12.0 million of cash proceeds at closing, resulting in a gain on sale of $8.7 million ($4.5 million, net of tax). During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company anticipates completing the sale of its Winetasting Network business in fiscal 2014, at an anticipated loss of $2.3 million ($1.5 million, net of tax). Consequently, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(dollars in thousands)		
Net revenues from discontinued operations	**$ 5,154**	$10,743	$28,399
Gross profit from discontinued operations	**$ 149**	$ 1,787	$ 4,992
Loss from discontinued operations, net of tax	**$ (1,889)**	$ (217)	$ (468)
Gain (loss) on sale of discontinued operations, net of tax	**$ (1,512)**	$ 4,542	$ —
Income (loss) from discontinued operations	**$ (3,401)**	$ 4,325	$ (468)

Liquidity and Capital Resources

Cash Flows

At June 30, 2013, the Company had working capital of $16.9 million, including cash and cash equivalents of $0.2 million, compared to working capital of $29.7 million, including cash and cash equivalents of $28.9 million, at July 2, 2012. (Refer to "Credit Facility" below. During the quarter ended June 30, 2013, the Company repaid all amounts previously outstanding under its term loan.)

Net cash provided by operating activities of $34.6 million for the fiscal year ended June 30, 2013 was primarily related to net income, adjusted for non-cash charges for depreciation and amortization, deferred income taxes, and stock-based compensation, offset in part by a net increase in working capital, including inventory, accounts receivable and prepaid expenses. Increases in inventory and accounts payable relate to an increase in wholesale volume and earlier delivery requirements for DesignPac gift basket customers, as well as earlier manufacturing of Cheryl's components due to production capacity constraints.

Net cash used in investing activities of $24.5 million for the fiscal year ended June 30, 2013 was primarily attributable to capital expenditures related to the Company's technology infrastructure, as well as the acquisition of Pingg Corp., and payments related to the acquisition of 1-800-Flowers' European trademarks. As noted above, as a result of production capacity constraints at the Company's Cheryl's manufacturing facility, the Company will be expanding the facility during fiscal 2014, resulting in incremental capital of approximately $5.0 million. The Company believes that it will be able to fund this incremental capital requirement through cash generated from operations.

Net cash used in financing activities of $38.8 million for the fiscal year ended June 30, 2013 reflects: (i) scheduled repayments of the Company's term loan, and (ii) the prepayment of the $13.5 million balance, which would have been remaining on its term loan at June 30, 2013, during the fourth quarter of fiscal 2013, as well as (iii) the acquisition of $9.6 million of treasury stock under the Company's stock repurchase plan.

Credit Facility

On April 16, 2010, the Company entered into a Second Amended and Restated Credit Agreement (the "2010 Credit Facility") with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders. The 2010

Credit Facility consisted of a $60.0 million term loan with a maturity date of March 30, 2014, and a revolving credit line which extended through April 16, 2014, and included a seasonally adjusted limit which ranged from $40.0 to $75.0 million. The term loan was 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. Interest on outstanding amounts under the 2010 Credit Facility was calculated under: (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 ranged 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.

On April 10, 2013, the Company entered into a Third Amended and Restated Credit Agreement (the "2013 Credit Facility"). The 2013 Credit Facility consists of a revolving line of credit with a seasonally adjusted limit ranging from $150.0 to $200.0 million and a working capital sublimit ranging from $25.0 to $75.0 million. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, will bear interest at the Company's option at either: (i) LIBOR, plus a spread of between 150 and 225 basis points, as determined by the Company's leverage ratio, or (ii) the agent bank's prime rate plus a margin. The obligations of the Company and its subsidiaries under the 2013 Credit Facility were secured by liens on all personal property of the Company and its domestic subsidiaries. There were no amounts outstanding under the 2013 Credit Facility as of June 30, 2013.

Despite the current challenging economic environment, the Company believes that cash flows from operations along with available borrowings from its 2013 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.

Stock Repurchase Program

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In March 2013, the Company's Board of Directors authorized an increase of $20 million to its stock repurchase plan. The Company repurchased a total of $9.6 million (2,490,065 shares), $3.3 million (1,133,913 shares) and $0.5 million (168,207 shares) during the fiscal years ended June 30, 2013, July 1, 2012, and July 3, 2011, respectively, under this program. As of June 30, 2013, $18.9 million remains authorized under the plan.

Contractual Obligations

At June 30, 2013, 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	$ —	$ —	$ —	$ —	$ —
Operating lease obligations	54,072	12,818	17,175	12,684	11,395
Sublease obligations	2,582	1,249	1,097	236	—
Purchase commitments(*)	54,352	54,352	—	—	—
Total	$111,006	$ 68,419	$ 18,272	$ 12,920	$ 11,395

(*) 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, net of discounts, returns and credits. Net revenues are recognized primarily 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.

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. In establishing the appropriate provisions for customer receivable balances, the Company makes assumptions with respect to their future collectability. The Company's assumptions are based on an assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances. Once the Company considers the factors above, an appropriate provision is made, which takes into account the severity of the likely loss on the outstanding receivable balance based on the Company's experience in collecting these amounts. 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

Inventories are valued at the lower of cost or market using the first-in, first-out method of accounting. The Company also records an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated realizable value, based on various product sales projections. This reserve is determined by analyzing inventory skus based on age, expiration, historical trends and requirements to support forecasted sales. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events.

Goodwill

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 is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist.

The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components. Goodwill impairment testing involves a two-step process. The first step requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than the 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 an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists for advice. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

Based on the goodwill impairment test performed during the fourth quarter of fiscal 2013, the estimated fair value of the Company's reporting units significantly exceeded their respective carrying value (including goodwill allocated to each respective reporting unit). Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill. However, as a measure of sensitivity, a 40% decrease in the fair value of the Company's reporting units as of June 30, 2013, would have had no impact on the carrying value of the Company's goodwill. In addition, a decrease of 100 basis points in our terminal (perpetual) growth rate or an increase of 100 basis points in our weighted-average cost of capital would still result in a fair value calculation exceeding our book value for each of our reporting units.

Other Intangibles and Long-Lived Assets

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets 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, while indefinite-lived intangible assets are not amortized.

Long-lived assets, such as definite-lived intangibles and property, plant and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets' fair values require significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

Based on the indefinite-lived intangible assets impairment test performed during the fourth quarter of fiscal 2013, the estimated fair value of the Company's intangibles significantly exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

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 recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. 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.

Newly Adopted Accounting Pronouncements

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. This ASU became effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 30, 2013. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220) - Presentation of Comprehensive Income" (ASU 2011-05), which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of equity. The Company adopted ASU 2011-05 in its first quarter of fiscal year 2013 by including the required disclosures in two separate but consecutive statements.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU No. 2012-02"), which allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU No. 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test. Otherwise, the quantitative impairment test is not required. ASU No. 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of the provisions of ASU No. 2012-02 is not expected to have a material impact on the Company's 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 June 30, 2013, the Company had no debt outstanding under its credit agreement, as all amounts previously outstanding were paid off during the fourth quarter of fiscal 2013.

The Company does not enter into derivative transactions for trading purposes, but rather, on occasion, to manage its exposure to interest rate fluctuations. The Company has managed 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 had 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 was included as a component of accumulated other comprehensive income.

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 report's publishing 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. 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, but are not limited to, statements regarding the Company's expectations for: continued market penetration in its BloomNet wire service business; its ability to build on positive trends including increases in revenue, gross margin and contribution margin in its Consumer Floral business; its ability to achieve top and bottom line growth in its BloomNet and Gourmet Food and Gift Baskets categories; its ability to achieve its guidance for consolidated revenue growth for the full year in mid-single digit range along with higher year-over-year increases in EBITDA and EPS; its ability to leverage its operating platform and reduce operating expense ratio; its ability to remediate operational issues and improve performance in its Fannie May business; its ability to divest its Winetasting.com business on a timely and cost effective basis; its 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; its ability to reduce promotional activities and achieve more efficient marketing programs; 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 release 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. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2013 and 2012. The Company believes this unaudited information has been prepared substantially on the same basis as the annual audited consolidated financial statements and all necessary adjustments, consisting of only normal recurring adjustments, have been included in the amounts stated below to present fairly the Company's results of operations. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	Three Months Ended							
	Jun. 30, 2013	Mar. 31, 2013	Dec. 30, 2012	Sep. 30, 2012	Jul. 1, 2012	Apr. 1, 2012	Jan. 1, 2012	Oct. 2, 2011
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$139,109	$144,555	$171,774	$ 81,112	$138,487	$131,598	$163,794	$ 78,368
Other	33,854	47,027	79,587	38,480	38,853	46,416	73,062	36,939
Total net revenues	172,963	191,582	251,360	119,592	177,340	178,014	236,856	115,307
Cost of revenues	102,134	111,125	146,879	70,167	103,652	105,199	137,131	68,957
Gross Profit	70,829	80,457	104,481	49,425	73,688	72,815	99,725	46,350
Operating expenses:								
Marketing and sales	48,075	51,439	54,483	32,723	48,249	48,282	52,604	32,064
Technology and development	5,328	5,613	5,363	5,396	5,215	5,627	4,842	4,742
General and administrative	12,016	13,757	13,354	13,061	12,776	13,667	12,807	12,224
Depreciation and amortization	4,992	4,838	4,521	4,447	4,861	4,865	4,920	4,894
Total operating expenses	70,411	75,647	77,721	55,627	71,101	72,440	75,173	53,924
Gain on sale of stores	—	—	—	—	—	—	3,789	—
Operating income (loss)	418	4,810	26,760	(6,202)	2,587	375	28,341	(7,574)
Interest income (expense), net	32	(199)	(538)	(286)	(410)	(410)	(996)	(821)
Income (loss) from continuing operations before income taxes	450	4,611	26,222	(6,488)	2,177	(35)	27,345	(8,395)
Income tax expense (benefit)	(88)	1,491	9,715	(2,045)	453	(215)	10,955	(3,422)
Income (loss) from continuing operations	538	3,120	16,507	(4,443)	1,724	180	16,390	(4,973)
Income (loss) from discontinued operations, net of tax	(749)	(481)	(496)	(163)	(92)	(265)	249	(109)
Gain (loss) on sale of discontinued operations, net of tax	(1,512)	—	—	—	200	—	—	4,342
Income (loss) from discontinued operations	(2,261)	(481)	(496)	(163)	108	(265)	249	4,233
Net income (loss)	$ (1,723)	$ 2,639	$ 16,011	$ (4,606)	$ 1,832	$ (85)	$ 16,639	$ (740)
Basic net income (loss) per common share:								
From continuing operations	$ 0.01	$ 0.05	$ 0.25	$ (0.07)	$ 0.03	$ 0.00	$ 0.25	$ (0.08)
From discontinued operations	(0.04)	(0.01)	(0.01)	0.00	0.00	0.00	0.00	0.07
Net income (loss) per common share	$ (0.03)	$ 0.04	$ 0.25	$ (0.07)	$ 0.03	$ 0.00	$ 0.26	$ (0.01)
Diluted net income (loss) per common share:								
From continuing operations	$ 0.01	$ 0.05	$ 0.25	$ (0.07)	$ 0.03	$ 0.00	$ 0.25	$ (0.08)
From discontinued operations	(0.03)	(0.01)	(0.01)	0.00	0.00	0.00	0.00	0.07
Net income (loss) per common share	$ (0.03)	$ 0.04	$ 0.24	$ (0.07)	$ 0.03	$ 0.00	$ 0.25	$ (0.01)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	63,891	64,256	64,824	64,505	64,741	64,988	64,841	64,218
Diluted	66,620	66,111	66,557	64,505	66,381	66,299	66,050	64,218

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 third quarter of fiscal 2013, but it was in the fourth quarter during fiscal 2012 and 2011, and will fall in the fourth quarter of fiscal 2014.

Consolidated Balance Sheets

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

(in thousands, except share data)

	June 30, 2013	July 1, 2012
Assets		
Current assets:		
Cash and cash equivalents	**$ 154**	$ 28,854
Receivables, net	**14,957**	11,887
Inventories	**55,756**	53,933
Deferred tax assets	**5,746**	4,993
Prepaid and other	**9,941**	8,286
Current assets of discontinued operations	**6,095**	5,153
Total current assets	**92,649**	113,106
Property, plant and equipment, net	**52,943**	48,550
Goodwill	**47,943**	47,485
Other intangibles, net	**43,276**	41,576
Deferred tax assets	**2,127**	2,824
Other assets	**10,086**	7,875
Non-current assets of discontinued operations	**1,049**	797
Total assets	**$250,073**	$262,213
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 26,235**	$ 17,619
Accrued expenses	**45,044**	48,811
Current maturities of long-term debt and obligations under capital leases	**—**	15,756
Current liabilities of discontinued operations	**4,484**	1,199
Total current liabilities	**75,763**	83,385
Long-term debt and obligations under capital leases	**—**	13,500
Other liabilities	**5,039**	3,580
Total liabilities	**80,802**	100,465
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, 36,280,425 and 34,465,207 shares issued in 2013 and 2012, respectively	**362**	344
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,125,465 and 42,138,465 shares issued in 2013 and 2012, respectively	**421**	421
Accumulated other comprehensive loss	**—**	(17)
Additional paid-in capital	**298,580**	293,814
Retained deficit	**(83,937)**	(96,258)
Treasury stock, at cost, 9,257,231 and 6,767,166 Class A shares in 2013 and 2012, respectively, and 5,280,000 Class B shares in 2013 and 2012	**(46,155)**	(36,556)
Total stockholders' equity	**169,271**	161,748
Total liabilities and stockholders' equity	**$250,073**	$262,213

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

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

(in thousands, except per share data)

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
Net revenues	**$735,497**	$707,517	$661,389
Cost of revenues	**430,305**	414,940	386,296
Gross profit	**305,192**	292,577	275,093
Operating expenses:			
Marketing and sales	**186,720**	181,199	171,960
Technology and development	**21,700**	20,426	20,109
General and administrative	**52,188**	51,474	48,701
Depreciation and amortization	**18,798**	19,540	20,237
Total operating expenses	**279,406**	272,639	261,007
Gain on sale of stores	**—**	3,789	—
Operating income	**25,786**	23,727	14,086
Interest expense, net	**(991)**	(2,635)	(3,993)
Income from continuing operations before income taxes	**24,795**	21,092	10,093
Income tax expense from continuing operations	**9,073**	7,771	3,903
Income from continuing operations	**15,722**	13,321	6,190
Loss from discontinued operations, net of tax	**(1,889)**	(217)	(468)
Gain (loss) on sale of discontinued operations, net of tax	**(1,512)**	4,542	—
Income (loss) from discontinued operations	**(3,401)**	4,325	(468)
Net income	**$ 12,321**	$ 17,646	$ 5,722
Basic net income (loss) per common share:			
From continuing operations	**$ 0.24**	$ 0.21	$ 0.10
From discontinued operations	**(0.05)**	0.07	(0.01)
Basic net income per common share	**$ 0.19**	$ 0.27	$ 0.09
Diluted net income (loss) per common share:			
From continuing operations	**$ 0.24**	$ 0.20	$ 0.10
From discontinued operations	**(0.05)**	0.07	(0.01)
Diluted net income per common share	**$ 0.19**	$ 0.27	$ 0.09
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**64,369**	64,697	64,001
Diluted	**66,792**	66,239	65,153

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

(in thousands)

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
Net income	**$12,321**	$17,646	$5,722
Other comprehensive income	**17**	141	176
Comprehensive income	**12,338**	17,787	5,898

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

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

Years ended June 30, 2013, July 1, 2012 and July 3, 2011

(in thousands, except share data)

	Common Stock				Additional		Accumulated Other			
	Class A		Class B		Paid-In	Retained	Comprehensive	Treasury Stock		Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Shares	Amount	Equity
Balance at June 27, 2010	32,492,266	$ 325	42,138,465	$ 421	$ 285,515	$(119,626)	$ (334)	10,745,046	$(32,825)	$133,476
Net income	—	—	—	—	—	5,722	—	—	—	5,722
Change in value of cash flow hedge	—	—	—	—	—	—	176	—	—	176
Stock-based compensation	495,047	5	—	—	4,005	—	—	—	—	4,010
Tax asset shortfall from stock-based compensation	—	—	—	—	(419)	—	—	—	—	(419)
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	168,207	(454)	(454)
Balance at July 3, 2011	32,987,313	330	42,138,465	421	289,101	(113,904)	(158)	10,913,253	(33,279)	142,511
Net income	—	—	—	—	—	17,646	—	—	—	17,646
Change in value of cash flow hedge	—	—	—	—	—	—	141	—	—	141
Stock-based compensation	1,477,894	14	—	—	4,836	—	—	—	—	4,850
Tax asset shortfall from stock-based compensation	—	—	—	—	(123)	—	—	—	—	(123)
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	1,133,913	(3,277)	(3,277)
Balance at July 1, 2012	34,465,207	344	42,138,465	421	293,814	(96,258)	(17)	12,047,166	(36,556)	161,748
Net income	—	—	—	—	—	**12,321**	—	—	—	**12,321**
Change in value of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**—**	**17**	**—**	**—**	**17**
Conversion of Class B stock into Class A stock	**13,000**	**—**	**(13,000)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock-based compensation	**1,610,271**	**16**	**—**	**—**	**4,267**	**—**	**—**	**—**	**—**	**4,283**
Exercise of stock options	**191,947**	**2**	**—**	**—**	**533**	**—**	**—**	**—**	**—**	**535**
Tax asset shortfall from stock-based compensation	**—**	**—**	**—**	**—**	**(34)**	**—**	**—**	**—**	**—**	**(34)**
Acquisition of Class A treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,490,065**	**(9,599)**	**(9,599)**
Balance at June 30, 2013	**36,280,425**	**$ 362**	**42,125,465**	**$ 421**	**$ 298,580**	**$ (83,937)**	**—**	**14,537,231**	**$(46,155)**	**$ 169,271**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
Operating activities:			
Net income	**$ 12,321**	$ 17,646	$ 5,722
Reconciliation of net income to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**(179)**	1,435	310
Loss/(gain) on sale of discontinued operations	**2,348**	(8,683)	—
Depreciation and amortization	**18,798**	19,539	20,237
Amortization of deferred financing costs	**420**	457	474
Deferred income taxes	**(811)**	7,790	2,262
Bad debt expense	**1,085**	869	1,537
Stock-based compensation	**4,283**	4,850	3,961
Excess tax benefit from stock-based compensation	**(739)**	(273)	(18)
Other non-cash items	**483**	42	27
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(4,108)**	(2,135)	(878)
Inventories	**(1,823)**	(3,919)	(6,898)
Prepaid and other	**(1,655)**	(2,126)	(1,822)
Accounts payable and accrued expenses	**4,368**	1,694	6,357
Other assets	**(609)**	1,646	(748)
Other liabilities	**463**	947	(235)
Net cash provided by operating activities	**34,645**	39,779	30,288
Investing activities:			
Acquisitions, net of cash acquired	**(3,700)**	(4,336)	(4,310)
Proceeds from sale of business	**—**	12,823	—
Capital expenditures	**(20,044)**	(17,180)	(16,890)
Purchase of investments	**(903)**	(3,945)	(268)
Other, net	**117**	(119)	100
Investing activities of discontinued operations	**—**	(124)	(127)
Net cash used in investing activities	**(24,530)**	(12,881)	(21,495)
Financing activities:			
Acquisition of treasury stock	**(9,599)**	(3,277)	(454)
Excess tax benefit from stock based compensation	**739**	273	18
Proceeds from exercise of employee stock options	**535**	—	49
Proceeds from bank borrowings	**62,000**	56,000	40,000
Repayment of notes payable and bank borrowings	**(91,250)**	(71,000)	(52,750)
Debt issuance cost	**(1,234)**	—	(17)
Repayment of capital lease obligations	**(6)**	(1,482)	(2,040)
Net cash used in financing activities	**(38,815)**	(19,486)	(15,194)
Net change in cash and cash equivalents	**(28,700)**	7,412	(6,401)
Cash and cash equivalents:			
Beginning of year	**28,854**	21,442	27,843
End of year	**$ 154**	$ 28,854	$ 21,442

Supplemental Cash Flow Information:

- Interest paid amounted to $1.1 million, $2.2 million, and $3.7 million, for the years ended June 30, 2013, July 1, 2012, and July 3, 2011, respectively.
- The Company paid income taxes of approximately $8.3 million, $5.0 million and $1.4 million, net of tax refunds received, for the years ended June 30, 2013, July 1, 2012, and July 3, 2011, respectively.

See accompanying Notes to Consolidated Financial Statements.

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 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®; and premium chocolates and confections from Fannie May® Confections Brands; gift baskets and towers from 1-800-BASKETS.COM®, carved fresh fruit arrangements from FruitBouquets.com, top quality steaks and chops from Stock Yards®, as well as premium branded customizable invitations and personal stationery from FineStationery.com®. 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 completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company anticipates completing the sale of the Winetasting Network business in fiscal 2014. Consequently, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented. Refer to Note 16. Discontinued Operations, for further discussion.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2013 and 2012 consisted of 52 weeks which ended on June 30, 2013 and July 1, 2012, 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 Cash Equivalents

Cash and cash 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 are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives. Amortization of leasehold improvements and capital leases is computed using the straight-line method over the shorter of the estimated useful lives and the initial lease terms. The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. The Company's property plant and equipment is depreciated using the following estimated lives:

Buildings	40 years
Leasehold Improvements	3 - 10 years
Furniture, Fixtures and Equipment	3 - 10 years
Software	3 - 7 years

Property, plant and equipment and other long-lived assets are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable.

Goodwill

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 is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist.

The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components. Goodwill impairment testing involves a two-step process. The first step requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than the 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 an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists for advice. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets 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, while indefinite-lived intangible assets are not amortized.

Long-lived assets, such as definite-lived intangibles and property, plant and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. The impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets' fair values require significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

Business Combinations

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 are determined primarily by using an income approach which is based on assumptions and estimates made by management. Significant assumptions utilized in the income approach are 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 is recorded as goodwill. Operating results of the acquired entity are reflected in the Company's consolidated financial statements from date of acquisition.

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 $0.5 and $0.3 million at June 30, 2013 and July 1, 2012 respectively, relating to prepaid catalog expenses.

Investments

The Company has certain investments in non-marketable equity instruments of private companies. The Company accounts for these investments using the equity method if they provide 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 ownership 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 equity method 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 Company's equity method investments are comprised of a 32% interest in Flores Online, a Sao Paulo, Brazil based internet floral and gift retailer, that the Company made on May 31, 2012. The book value of this investment was $3.8 million as of June 30, 2013 and $3.6 million as of July 1, 2012, and is included in Other assets within the consolidated balance sheets. The Company's equity in the net income of Flores Online for each of the years ended June 30, 2013 and July 1, 2012 was less than $0.2 million.

Investments in non-marketable equity instruments of private companies, where the Company does not possess the ability to exercise significant influence, are accounted for under the cost method. 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 $2.4 million as of June 30, 2013 and $1.7 million as of July 1, 2012. In addition, the Company had notes receivable from a company it maintains an investment in of $2.3 million as of June 30, 2013 and $0.9 million as of July 1, 2012.

The Company also holds certain trading securities associated with its Non-Qualified Deferred Compensation Plan ("NQDC Plan"). These investments are measured using quoted market prices at the reporting date and are included in Other assets in the consolidated balance sheets (see Note 10).

Each reporting period, the Company uses available qualitative and quantitative information to evaluate its investments for impairment. When a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded in the consolidated statement of operations.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents 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 ($2.5 million and $2.4 million at June 30, 2013 and July 1, 2012, 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 primarily 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 $77.9 million, $75.1 million and $67.2 million for the years ended June 30, 2013, July 1, 2012 and July 3, 2011, 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 seven 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 restricted stock awards 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, on occasion to manage its exposure to interest rate fluctuations. The Company has managed 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 recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. 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 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. This ASU became effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 30, 2013. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220) - Presentation of Comprehensive Income" (ASU 2011-05), which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of equity. The Company adopted ASU 2011-05 in its first quarter of fiscal year 2013 by including the required disclosures in two separate but consecutive statements.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU No. 2012-02"), which allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU No. 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test. Otherwise, the quantitative impairment test is not required. ASU No. 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of the provisions of ASU No. 2012-02 is not expected to have a material impact on the Company's 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 Per Common Share from Continuing Operations

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands, except per share data)		
Numerator:			
Net income from continuing operations	**$ 15,722**	$ 13,321	$ 6,190
Denominator:			
Weighted average shares outstanding	**64,369**	64,697	64,001
Effect of dilutive securities:			
Employee stock options(1)	**786**	40	16
Employee restricted stock awards	**1,637**	1,502	1,136
	2,423	1,542	1,152
Adjusted weighted-average shares and assumed conversions	**66,792**	66,239	65,153
Net income per common share from continuing operations:			
Basic	**$ 0.24**	$ 0.21	$ 0.10
Diluted	**$ 0.24**	$ 0.20	$ 0.10

Note (1): The effect of options to purchase 2.0 million, 5.5 million and 7.0 million shares for the years ended June 30, 2013, July 1, 2012, and July 3, 2011, 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

Acquisition of Pingg

On May 31, 2013, the Company completed the acquisition of Pingg Corp., an online invitation and event planner. The purchase price, which included the acquisition of software, receivables and certain other assets and related liabilities, was approximately $1.7 million. Approximately $0.5 million of purchase price was assigned to goodwill. The acquisition was financed utilizing available cash balances. Operating results of the acquired entity, which are not significant, are reflected in the Company's consolidated financial statements from the date of acquisition, in the Consumer Floral segment.

Acquisition of 1-800-Flowers' European trademarks

On March 11, 2013, the Company acquired the European rights to various derivations of the 1-800-Flowers' tradename, trademark, URL's and telephone numbers from Flowerscorp Pty Ltd. for a purchase price of $4.0 million, which is included within Other Intangibles, net. The purchase agreement requires payment of $2.0 million on March 11, 2013, and $1.0 million on each of the first and second anniversary dates of the 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. 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 recognition of $0.7 million, of the original $0.9 million area development fee associated with the 45 store area development agreement, based upon the number of stores opened by GB Chocolates as of June 30, 2013. The Company will recognize the remaining deferred revenue of $0.7 million 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 in the second quarter of fiscal 2012, based upon its assessment of the likelihood that the performance criteria under the agreement will be achieved. The fair value of the promissory note is impacted by estimates relating to the probability that GB Chocolates will open 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 fiscal year 2013.

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 assets, $2.1 million was assigned to amortizable investment in licenses (intangibles), 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.

Note 5. Inventory

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

	Years Ended	
	June 30, 2013	July 1, 2012
	(in thousands)	
Finished goods	**$30,906**	$24,746
Work-in-process	**6,465**	10,466
Raw materials	**18,385**	18,721
	$55,756	$53,933

Note 6. Goodwill and Intangible Assets

The following table presents goodwill by segment and the related change in the net carrying amount:

	Consumer Floral	BloomNet Wire Service	Gourmet Food and Gift Baskets(1)	Total
		(in thousands)		
Balance at July 3, 2011	$ 6,779	$ —	$ 38,777	$ 45,556
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	$ —	$ 37,776	$ 47,485
Adjustments	—	—	(84)	(84)
Acquisition of Pingg	542	—	—	542
Balance at June 30, 2013	**$ 10,251**	**$ —**	**$ 37,692**	**$ 47,943**

(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 during fiscal 2009.

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

		June 30, 2013			July 1, 2012		
	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**	**$ 5,516**	**$ 1,904**	$ 7,420	$ 5,401	$ 2,019
Customer lists	**3-10 years**	**15,989**	**11,334**	**4,655**	16,019	9,961	6,058
Other	**5-8 years**	**2,538**	**2,513**	**25**	2,538	2,173	365
		25,947	**19,363**	**6,584**	25,977	17,535	8,442
Trademarks with indefinite lives	**—**	**36,692**	**—**	**36,692**	33,134	—	33,134
Total intangible assets		**$ 62,639**	**$19,363**	**$43,276**	$59,111	$17,535	$41,576

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. During the year ended June 30, 2013, the Company wrote-down the value of its Fine Stationery tradename from $1.1 million to $0.7 million.

The amortization of intangible assets for the years ended June 30, 2013, July 1, 2012 and July 3, 2011 was $1.8 million, $1.8 million and $2.3 million, respectively. Future estimated amortization expense is as follows: 2014 - $1.4 million, 2015 - $1.3 million, 2016 - $1.2 million, 2017 - $0.7 million, and thereafter - $2.0 million.

Note 7. Property, Plant and Equipment

	June 30, 2013	July 1, 2012
	(in thousands)	
Land	**$ 2,907**	$ 2,907
Building and building improvements	**9,807**	9,807
Leasehold improvements	**17,566**	16,631
Furniture and fixtures	**4,903**	4,778
Production equipment	**31,798**	28,582
Computer equipment	**57,879**	56,901
Telecommunication equipment	**8,204**	8,188
Software	**122,459**	106,635
	255,523	234,429
Accumulated depreciation and amortization	**202,580**	185,879
	$ 52,943	$ 48,550

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2013	July 1, 2012
	(in thousands)	
Payroll and employee benefits	**$ 19,859**	$ 20,137
Advertising and marketing	**9,107**	12,813
Other	**16,078**	15,861
	$ 45,044	$ 48,811

Note 9. Long-Term Debt

	June 30, 2013	July 1, 2012
	(in thousands)	
Term loan(1)	**$ —**	$ 29,250
Revolving line of credit(1)	**—**	—
Obligations under capital leases	**—**	6
	—	29,256
Less current maturities of long-term debt obligations under capital leases	**—**	15,756
	$ —	$ 13,500

(1) On April 16, 2010, the Company entered into a Second Amended and Restated Credit Agreement (the "2010 Credit Facility") with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders. The 2010 Credit Facility consisted of a $60.0 million term loan with a maturity date of March 30, 2014, and a revolving credit line which extended through April 16, 2014, and included a seasonally adjusted limit which ranged from $40.0 to $75.0 million. The term loan was 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. Interest on outstanding amounts under the 2010 Credit Facility was calculated under: (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 ranged 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.

On April 10, 2013, the Company entered into a Third Amended and Restated Credit Agreement (the "2013 Credit Facility"). The 2013 Credit Facility consists of a revolving line of credit with a seasonally adjusted limit ranging from $150.0 to $200.0 million and a working capital sublimit ranging from $25.0 to $75.0 million. The 2013 Credit Facility also revises certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 30, 2013. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, will bear interest at the Company's option at either: (i) LIBOR, plus a spread of between 150 and 225 basis points, as determined by the Company's leverage ratio, or (ii) the agent bank's prime rate plus a margin. The obligations of the Company and its subsidiaries under the 2013 Credit Facility were secured by liens on all personal property of the Company and its domestic subsidiaries. There were no amounts outstanding under the 2013 Credit Facility as of June 30, 2013.

Note 10. Fair Value Measurements

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 Company's investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company's remaining financial assets and liabilities are measured and recorded at fair value (see table below). 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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. 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, financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Fair Value Measurements Assets (Liabilities)			
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities):				
Trading securities held in a "rabbi trust"(1)	$1,708	$1,708	$ —	$ —
Non-performance promissory note(2)	205	—	—	205
	$1,913	$1,708	$ —	$ 205

(1) Trading securities held in a rabbi trust are measured using quoted market prices at the reporting date and are included in Other assets in the consolidated balance sheets. The Company established a Non-qualified Deferred Compensation Plan (Note 14 – Employee Retirement Plans) for certain members of senior management in fiscal 2009. Deferred compensation is invested in mutual funds held in a "rabbi trust" which is 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 on the consolidated balance sheets.

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

	Fair Value Measurements Assets (Liabilities)			
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities):				
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	(7)	—	(7)	—
	$1,341	$1,143	$ (7)	$205

(1) Trading securities held in a rabbi trust are measured using quoted market prices at the reporting date and are included in Other assets in the consolidated balance sheets. (Note 14 – Employee Retirement Plans).

(2) Refer to Note 4. Acquisitions and dispositions – *Sale and franchise of Fannie May retail stores.* Included in other assets on the consolidated balance sheets.

Note 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is currently under examination by the Internal Revenue Service for fiscal year 2011, while fiscal years 2010 and 2012 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 June 30, 2013, the Company has an unrecognized tax position of approximately $0.8 million, including accrued interest and penalties of $0.1 million. The Company believes that an additional $0.4 million of its unrecognized tax positions will be resolved over the next twelve months.

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands)		
Current provision (benefit):			
Federal	**$ 7,983**	$ (1,643)	$ 927
State	**1,845**	1,155	840
	9,828	(488)	1,767
Deferred provision (benefit):			
Federal	**(730)**	8,479	2,038
State	**(25)**	(220)	98
	(755)	8,259	2,136
Income tax expense	**$ 9,073**	$ 7,771	$ 3,903

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**3.3**	4.0	6.2
Non-deductible stock-based compensation	**—**	0.6	1.7
Non-deductible goodwill amortization	**—**	1.7	—
Rate change	**(0.3)**	(1.1)	0.1
Tax credits	**(1.2)**	(1.2)	(2.7)
Tax settlements	**1.1**	—	(1.4)
Other, net	**(1.3)**	(2.2)	(0.2)
	36.6%	36.8%	38.7%

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

	Years Ended	
	June 30, 2013	July 1, 2012
	(in thousands)	
Deferred income tax assets:		
Net operating loss and credit carryforwards	**$3,230**	$ 3,569
Accrued expenses and reserves	**5,848**	5,680
Stock-based compensation	**3,266**	3,494
Book in excess of tax depreciation	**1,055**	—
Gross deferred income tax assets	**13,399**	12,743
Less: Valuation allowance	**(1,477)**	(1,578)
	11,922	11,165
Deferred income tax liabilities:		
Other intangibles	**(4,049)**	(3,036)
Tax in excess of book depreciation	**—**	(312)
	(4,049)	(3,348)
Net deferred income tax assets	**$7,873**	$ 7,817

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 June 30, 2013, the Company's federal and state net operating loss carryforwards were approximately $3.1 million, and $3.3 million, respectively, which if not utilized, will begin to expire in fiscal year 2025 and 2015, respectively. The federal net operating loss of $3.1 million is subject to Section 382 limitations of $0.3 million per year.

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.

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In March 2013, the Company's Board of Directors authorized an increase of $20 million to its stock repurchase plan. The Company repurchased a total of $9.6 million (2,490,065 shares), $3.3 million (1,133,913 shares) and $0.5 million (168,207 shares) during the fiscal years ended June 30, 2013, July 1, 2012, and July 3, 2011, respectively, under this program. As of June 30, 2013, $18.9 million remains authorized under the plan.

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 June 30, 2013, the Company has reserved approximately 13.0 million shares of common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands, except per share data)		
Stock options	**$ 477**	$1,073	$1,181
Restricted stock awards	**3,806**	3,777	2,780
Total	**4,283**	4,850	3,961
Deferred income tax benefit	**1,555**	1,796	1,381
Stock-based compensation expense, net	**$2,728**	$3,054	$2,580

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands)		
Marketing and sales	**$1,499**	$1,755	$1,587
Technology and development	**428**	600	791
General and administrative	**2,356**	2,495	1,583
Total	**$4,283**	$4,850	$3,961

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

Stock Option Plans

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

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
Weighted average fair value of options granted	**$2.95**	$1.84	$1.23
Expected volatility	**72%**	72%	68%
Expected life (in years)	**6.4**	8.0	7.5
Risk-free interest rate	**0.7%**	0.9%	1.3%
Expected dividend yield	**0.0%**	0.0%	0.0%

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

The following table summarizes stock option activity during the year ended June 30, 2013:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	6,711,280	$ 4.48		
Granted	35,000	$ 4.55		
Exercised	(191,947)	$ 2.36		
Forfeited/Expired	(1,831,093)	$ 6.23		
Outstanding end of period	4,723,240	$ 3.89	5.1 years	$12,536
Options vested or expected to vest at end of period	4,572,098	$ 3.94	4.9 years	$11,950
Exercisable at June 30, 2013	2,917,540	$ 4.88	3.4 years	$ 5,508

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 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2013. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the years ended June 30, 2013, July 1, 2012 and July 3, 2011 was $0.6 million, $0.0 million, and $0.0 million, respectively.

The following table summarizes information about stock options outstanding at June 30, 2013:

	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 - 1.79	1,080,500	7.3 years	$ 1.79	257,000	$ 1.79
$ 2.01 - 2.63	1,078,400	8.2 years	$ 2.62	177,300	$ 2.62
$ 2.77 - 3.11	1,193,753	3.1 years	$ 3.09	1,156,153	$ 3.09
$ 3.26 - 6.52	645,234	3.1 years	$ 6.09	601,734	$ 6.09
$ 6.90 - 11.81	725,353	2.1 years	$ 8.28	725,353	$ 8.28
	4,723,240	5.1 years	$ 3.89	2,917,540	$ 4.88

As of June 30, 2013, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was $2.3 million and the weighted average period over which these awards are expected to be recognized was 5.5 years.

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

The following table summarizes the activity of non-vested restricted stock during the year ended June 30, 2013:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	3,855,320	$ 2.37
Granted	1,668,490	$ 3.55
Vested	(1,610,271)	$ 2.48
Forfeited	(480,184)	$ 3.06
Non-vested – end of period	3,433,355	$ 2.80

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

June 30, 2013, there was $6.3 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.3 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 2013, 2012 and 2011.

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 June 30, 2013 and July 1, 2012, these plan liabilities, which are included in Other liabilities within the Company's Consolidated Balance Sheet, totaled $1.7 million and $1.1 million, 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 June 30, 2013, July 1, 2012 and July 3, 2011 were less than $0.1 million. Gains and losses on these investments, which were immaterial during fiscal years 2013, 2012 and 2011, are included in Interest expense, net, within the Company's Consolidated Statements of Income.

Note 15. Business Segments

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

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

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), nor does it include depreciation and amortization, other income, and income taxes, or stock-based compensation, which is 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		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands)		
Net revenues:			
Consumer Floral	**$411,526**	$398,184	$369,199
BloomNet Wire Service	**81,822**	82,582	73,282
Gourmet Food & Gift Baskets	**243,225**	228,002	219,174
Corporate(1)	**789**	773	1,150
Intercompany eliminations	**(1,865)**	(2,024)	(1,416)
Total net revenues	**$735,497**	$707,517	$661,389

Operating Income

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands)		
Segment Contribution Margin:			
Consumer Floral	**$ 47,193**	$ 39,147	$ 32,669
BloomNet Wire Service	**25,611**	22,339	20,195
Gourmet Food & Gift Baskets(2)	**20,345**	30,193	28,544
Segment Contribution Margin Subtotal	**93,149**	91,679	81,408
Corporate(1)	**(48,565)**	(48,412)	(47,085)
Depreciation and amortization	**(18,798)**	(19,540)	(20,237)
Operating income	**$ 25,786**	$ 23,727	$ 14,086

(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) GFGB segment contribution margin during the year ended July 1, 2012 includes a $3.8 million ($2.4mm, net of tax) gain on the sale of 17 Fannie May stores, which are being operated as franchised locations post-sale.

Note 16. Discontinued Operations

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. The sales price consisted of $12.0 million of cash proceeds at closing, resulting in a gain on sale of $8.7 million ($4.5 million, net of tax). During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company anticipates completing the sale of the Winetasting Network business in fiscal 2014, at an anticipated loss of $2.3 million ($1.5 million, net of tax). Consequently, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ 5,154**	$10,743	$ 28,399
Loss from discontinued operations, net of tax	**$ (1,889)**	$ (217)	$ (468)
Income (loss) on sale of discontinued operations, net of tax	**$ (1,512)**	$ 4,542	$ —
Income (loss) from discontinued operations	**$ (3,401)**	$ 4,325	$ (468)

Note 17. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2026. 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 June 30, 2013 future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	(in thousands)
2014	$12,818
2015	8,781
2016	8,393
2017	7,490
2018	5,194
Thereafter	11,396
Total minimum lease payments	$54,072

At June 30, 2013, 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	$1,249	$1,249
2014	654	654
2015	443	443
2016	236	236
Thereafter	—	—
	$2,582	$2,582

Rent expense was approximately $17.7 million, $17.4 million, and $17.7 million for the years ended June 30, 2013, July 1, 2012 and July 3, 2011, 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 December 23, 2011, plaintiff filed a notice of voluntary dismissal seeking to dismiss the entire action without prejudice. The court entered an Order on November 28, 2012, dismissing the case in its entirety. This case was subsequently refiled in the United States District Court for the District of Connecticut.

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 "Consolidated Action"). A consolidated amended complaint was filed by plaintiffs on September 7, 2012, purporting to assert claims substantially similar to those originally asserted. The Company moved to dismiss the consolidated amended complaint on December 7, 2012, which was subsequently refiled at the direction of the Court on January 16, 2013.

On December 5, 2012, the same plaintiff from the action voluntarily dismissed in the United States District Court for the Eastern District of New York filed a purported class action complaint in the United States District Court for the District of Connecticut naming the Company and numerous other parties as defendants, purporting to assert claims substantially similar to those asserted in the consolidated amended complaint (the "Frank Action"). On January 23, 2013, plaintiffs in the Consolidated Action filed a motion to transfer and consolidate the action filed on December 5, 2012 with the Consolidated Action. The Company intends to defend each of these actions vigorously.

On January 31, 2013, the court issued an order to show cause directing plaintiffs' counsel in the Frank Action,, also counsel for plaintiffs in the Consolidated Action, to show cause why the Frank Action is distinguishable from the Consolidated Action such that it may be maintained despite the prior-pending action doctrine. On June 13, 2013 the court issued an order in the Frank Action suspending deadlines to answer or to otherwise respond to the complaint until 21 days after the court decides whether the Frank Action should be consolidated with the Consolidated Action. On July 24, 2013 the Frank Action was reassigned to Judge Vanessa Bryant, before whom the Consolidated Action is currently pending, for all further proceedings. On August 14, 2013, other defendants filed a motion for clarification in the Frank Action requesting that Judge Bryant clarify the order suspending deadlines.

There has been no ruling on (1) Plaintiff's Motion to Consolidate, (2) the Order to Show Cause, (3) the Motion for Clarification, or (4) the Company's Motion Seeking to dismiss the plaintiffs' Amended Consolidated Complaint. Oral argument thereon is scheduled for September 25, 2013.

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 June 30, 2013 and July 1, 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2013. 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 June 30, 2013 and July 1, 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2013, 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 June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated September 13, 2013 expressed an unqualified opinion thereon.

Ernst & Young LLP

Jericho, New York
September 13, 2013

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 assessment, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2013.

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 June 30, 2013. Ernst & Young LLP's report on the effectiveness of the Company's internal control over financial reporting as of June 30, 2013 is set forth below.

Report of Independent Registered Public Accounting Firm

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

We have audited 1-800-FLOWERS.COM, Inc. and Subsidiaries', (the Company) internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, 1-800-FLOWERS.COM, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 30, 2013 and July 1, 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2013 of the Company and our report dated September 13, 2013 expressed an unqualified opinion thereon.

Ernst & Young LLP

Jericho, NY
September 13, 2013

Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The NASDAQ Global Select Market under the ticker symbol "FLWS." There is no established public trading market for the Company's Class B common stock. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the fiscal years ended June 30, 2013 and July 1, 2012.

	High	Low
Year ended June 30, 2013		
July 2, 2012 – September 30, 2012	$ 4.12	$ 3.13
October 1, 2012 – December 30, 2012	$ 3.93	$ 2.77
December 31, 2012 – March 31, 2013	$ 5.12	$ 3.45
April 1, 2013 – June 30, 2013	$ 6.60	$ 4.75
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

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 6, 2013, there were approximately 306 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 6, 2013, there were approximately 15 stockholders of record of the Company's Class B common stock.

Dividend Policy

The Company has never declared or paid any cash dividends on its Class A or Class B common stock. 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

36,825,802 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, 2013, 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

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In March 2013, the Company's Board of Directors authorized an increase of $20 million to its stock repurchase plan. The Company repurchased a total of $9.6 million (2,490,065 shares), $3.3 million (1,133,913 shares) and $0.5 million (168,207 shares) during the fiscal years ended June 30, 2013, July 1, 2012, and July 3, 2011, respectively, under this program. As of June 30, 2013, $18.9 million remains authorized under the plan.

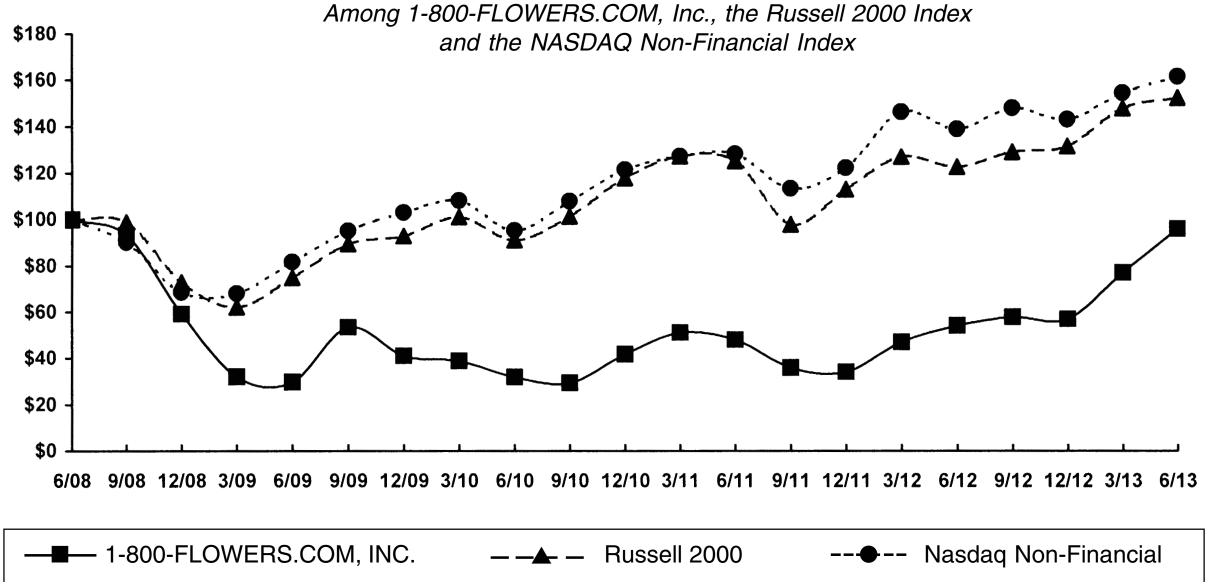
The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended June 30, 2013, which includes the period July 2, 2012 through June 30, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	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)			
7/2/12 - 7/29/12	—	$ —	—	$ 8,548
7/30/12 - 8/26/12	5.3	$3.74	5.3	$ 8,528
8/27/12 - 9/30/12	241.7	$3.86	241.7	$ 7,595
10/01/12 - 10/28/12	289.4	$3.55	289.4	$ 6,567
10/29/12 - 11/25/12	565.9	$3.39	565.9	$ 4,647
11/26/12 - 12/30/12	371.7	$3.36	371.7	$ 3,399
12/31/12 - 1/27/13	193.7	$3.70	193.7	$ 2,677
1/28/13 - 2/24/13	414.1	$4.13	414.1	$ 954
2/25/13 - 3/31/13	293.5	$4.49	293.5	$19,626
4/1/13 - 4/28/13	—	$ —	—	$19,626
4/29/13 - 5/26/13	25.4	$5.84	25.4	$19,477
5/27/13 - 6/30/13	89.4	$5.88	89.4	$18,949
Total	2,490.1	$3.83	2,490.1	

(1) Average price per share excludes commissions and other transaction fees.

*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 6/30/08 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

1·800·FLOWERS.COM, INC.
One Old Country Road, Suite 500
Carle Place, NY 11514
(516) 237-6000

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 report's publishing 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. 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, but are not limited to, statements regarding the Company's expectations for: continued market penetration in its BloomNet wire service business; its ability to build on positive trends including increases in revenue, gross margin and contribution margin in its Consumer Floral business; its ability to achieve top and bottom line growth in its BloomNet and Gourmet Food and Gift Baskets categories; its ability to achieve its guidance for consolidated revenue growth for the full year in mid-single digit range along with higher year-over-year increases in EBITDA and EPS; its ability to leverage its operating platform and reduce operating expense ratio; its ability to remediate operational issues and improve performance in its Fannie May business; its ability to divest its Winetasting.com business on a timely and cost effective basis; its 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; its ability to reduce promotional activities and achieve more efficient marketing programs; 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 release 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. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties.

Stock Exchange Listing
NASDAQ Global Select Market
Ticker Symbol: FLWS

Transfer Agent and Registrar
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, New York 11219
(718) 921-8200

Independent Auditors
Ernst & Young LLP
One Jericho Plaza
Suite 105
Jericho, New York 11753
(516) 336-0100

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

Shareholder Inquiries
Copies of the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and additional information about 1-800-FLOWERS.COM, Inc. may be obtained by visiting the Investor Relations section at www.1800flowersinc.com, by calling 516-237-6113, or by writing to:
Investor Relations
1-800-FLOWERS.COM, Inc.
One Old Country Road, Suite 500
Carle Place, NY 11514

1·800 flowers.com

1·800 baskets.com

bloomnet
World-Class Florists Worldwide Delivery

Cheryl's

THE POPCORN FACTORY

Fannie May
FINE CHOCOLATES SINCE 1920

fruit bouquets
by 1800Flowers.com

CELEBRATIONS

STOCK YARDS
SINCE 1893
THE WORLD'S FINEST STEAKS & CHOPS

HARRY LONDON
QUALITY CHOCOLATES
SINCE 1922

Fannie May berries

finestationery.com

1·800·FLOWERS.COM, INC.

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