1·800·FLOWERS.COM, INC.

2014 Annual Report

The Gifting Destination for All Your Celebratory Occasions

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 38 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 was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. 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 premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200 or www.harryanddavid.com); 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); signature English muffins and other bakery gifts from Wolferman's (1-800-999-1910 or www.wolfermans.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 source for creative party ideas, must-read articles, online invitations and e-cards, all created to help people celebrate holidays and the everyday. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

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.

Harry & David Joins the 1-800-FLOWERS.COM, Inc. Family of Brands

1-800-FLOWERS.COM, Inc. kicked off Fiscal 2015 in a big way – closing on its acquisition of Harry & David, a leading specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts. The addition of the iconic Harry & David name to the Company's growing family of great gifting brands helps extend its position as a leading, omni-channel provider of gifts that resonate with customers for their ability to deliver smiles for all of their celebratory occasions. This combination will propel the Company's total annual revenues to more than $1.1 billion in fiscal 2015 and offers numerous opportunities to accelerate its top and bottom-line growth going forward.

Harry & David strives to be the authority for all gifting and entertaining occasions. Since 1934, its focus has been delivering expertly crafted products backed by an extraordinary experience and unparalleled service. Harry & David has been rooted in innovation since its founding brothers – Harry and David, of course! – first tended their Royal Riviera® Pears in the Bear Creek Orchards of Medford, Oregon. Their exquisite pears were soon in high demand, and they became the inspiration for an array of innovative gift ideas. Today, Harry & David creates nearly everything that goes into its gourmet gifts, baskets, and towers, including signature pears and peaches from its own orchards to artisanal chocolate truffles and unique cookies and cakes made in its own candy kitchen and bakery. Each expertly crafted gift is shipped to arrive on time, in perfect condition.

FINANCIAL HIGHLIGHTS

(From Continuing Operations[1])

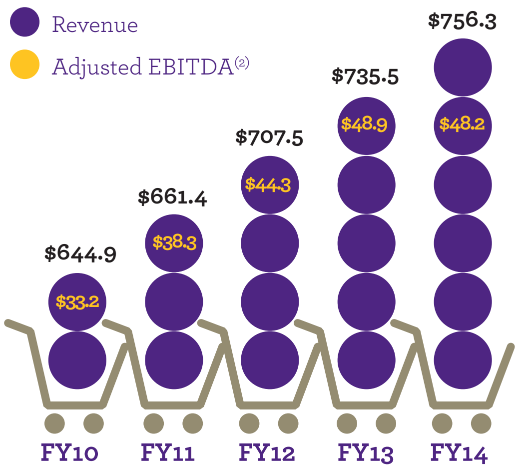
	Years Ended				
	JUNE 29, 2014	JUNE 30, 2013	JULY 1, 2012	JULY 3, 2011	JUNE 27, 2010
	(in millions, except percentages and per share data)				
Total Net Revenues	$756.3	$735.5	$707.5	$661.4	$644.9
Gross Profit Margin	41.7%	41.5%	41.4%	41.6%	40.5%
Operating Expense Ratio	38.6%	38.0%	38.5%	39.5%	39.6%
Adjusted EBITDA (excluding stock based compensation)	$ 48.2	$ 48.9	$ 44.3[2]	$ 38.3	$ 33.2[2]
EPS	$ 0.22	$ 0.24	$ 0.20	$ 0.10	($ 0.01)

(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.

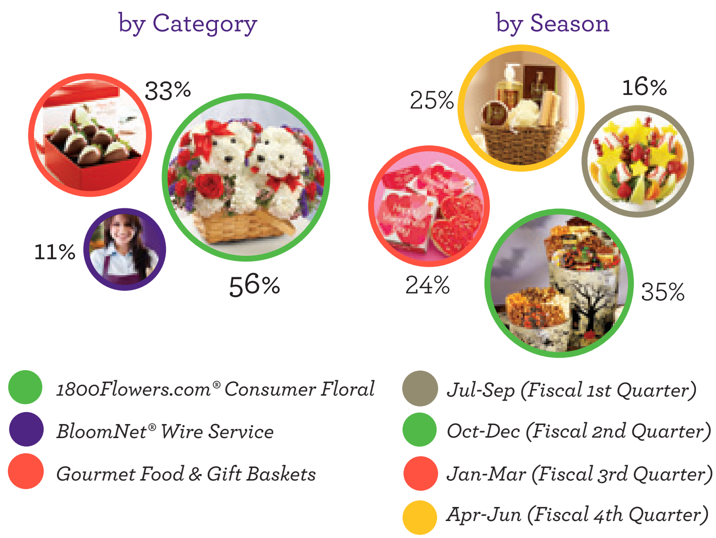
(2) Fiscal 2012 and 2010 EBITDA is adjusted for non-recurring charges which impact comparability. Refer to the Company's Annual Report on Form 10-K for a reconciliation of net income (loss) from continuing operations to EBITDA, EBITDA excluding stock-based compensation and Adjusted EBITDA excluding stock-based 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)



2014 % REVENUES



FINANCIAL REPORT INSERT

See inside rear cover pocket

FISCAL 2014 ACHIEVEMENTS

- Grew total revenues 2.8% to $756.3 million.
- Increased revenues across all three business segments: Consumer Floral, Gourmet Food & Gift Baskets and BloomNet Wire Service.
- Grew free cash flow 34.0% to $19.6 million.

TO OUR SHAREHOLDERS

During fiscal 2014, we grew total net revenues from continuing operations 2.8 percent, representing the fifth consecutive year of revenue growth for our Company. Revenues increased across all three of our business segments – with Consumer Floral up 2.4 percent, BloomNet increasing 2.9 percent and Gourmet Foods and Gift Baskets rising 3.6 percent. These increases were achieved despite the continued uneven consumer economy and the impact of unusually severe winter weather across most of the country.

In terms of our bottom line, we achieved a strong improvement in contribution margin in our Gourmet Food and Gift Baskets segment as well as a solid increase in contribution in our BloomNet wire service business. These increases were offset by a lower contribution margin in our Consumer Floral segment primarily attributable to lower than anticipated returns on our marketing spending and higher costs associated with the impact of the severe snow and ice storms across much of the country during the Valentine holiday period. Adjusted for the weather impact, consolidated EBITDA and net income would have been up for the year.

In terms of our financial strength and flexibility, we finished fiscal 2014 with no debt on our balance sheet and growing cash. Free Cash Flow for the year increased 34 percent to $19.6 million primarily reflecting our continued focus on managing working capital, the positive effect of which more than offset an additional $2.9 million in capital expenditures incurred during fiscal 2014, compared with the prior year, for the expansion of our Cheryl's brand bakery facility where we have more than doubled production capacity to accommodate continued strong ecommerce growth in the Cheryl's business. We also continued our stock buyback program during fiscal 2014, using approximately $8.3 million to buy back approximately 1.8 million shares of our stock.

EXPANDING FLORAL MARKET LEADERSHIP

In our flagship 1-800-FLOWERS.COM brand we have launched a number of marketing and merchandising initiatives designed to drive top and bottom-line performance. Among these are:

- Our new *Local Exclusive* Program in which local florists have the opportunity to feature their truly original floral arrangements and gift designs on the 1-800-FLOWERS.COM website – showcasing them for millions of customers across the country while tapping into the growing national trend for locally designed and sourced products;
- Expanded geographic coverage and an expanded offering for our fast growing *FruitBouquets.com* product line. Again featuring locally-crafted, same-day gifts, the FruitBouqets.com line of beautifully carved fresh fruit includes new party-size arrangements, "milestone" birthday designs and keepsake containers, all perfect, shareable gifts for a broad range of celebratory occasions,
- Our exclusive partnerships with Real Simple, Isaac Mizrahi and Sandra Magsamen – highly relevant brands that resonate with our customers, and
- Continued expansion of our specialty and personalized gifts – from unique vases featuring up-loadable photos, to our hit "Message in a Bottle" to exclusive gifts from Waterford, Lenox, Gund and Yankee Candle – all designed to give customers the ability to express themselves personally and perfectly,
- Enhancements to our Mobile commerce platform, including optimization of our site for tablets; expansion of our Social commerce efforts, partnering with Instagram, Facebook, Google and others to increase customer engagement; and enhancements to our loyalty and reminder programs.

We believe these initiatives, among others, help set 1-800-FLOWERS.COM apart from the commodity and discount focused competition and will help us mitigate the expected impact of the Saturday placement of the Valentine holiday in 2015. Early traction for these efforts was reflected in our fiscal 2015 first quarter results with revenue increasing four percent and strong category contribution margin growth of nearly 13 percent for the period. 1-800-FLOWERS.COM continues to grow at a faster rate and off of a larger base, thus extending our leadership position in this space.

BLOOMNET INCREASING PENETRATION

Similarly, our BloomNet business has continued to expand its market position versus the legacy wire service competitors through increased penetration for its expanded suite of products and services. During fiscal 2014, BloomNet grew revenues 2.9 percent to more than $84 million while concurrently increasing gross profit margin 240 basis points to more than 53 percent. As a result, BloomNet delivered nearly $27 million in contribution margin for the year. Importantly, BloomNet has established itself as the "go-to" wire service for innovative products and services for professional florists. These include such offerings as our:

- Unique, cloud-based BMS store management system,
- Floriology's partnership with Udemy's state-of-the art online educational network for florist training,
- The new digital version of Floriology magazine, a leading content platform offering forward-looking articles and analysis of the latest trends affecting florists, and
- Our new iPad and tablet in-store sales app – another industry first – designed to help florists engage with their customers and drive sales.

We believe BloomNet is poised to grow both its revenues and bottom-line contribution during fiscal 2015 as it deepens its relationships with professional florists across the country and continues to expand its suite of innovative products and services.

DELICIOUS GROWTH IN GOURMET FOODS AND GIFT BASKETS

In our Gourmet Foods and Gift Baskets segment we achieved strong bottom-line results in fiscal 2014, primarily reflecting the effectiveness of the measures we implemented to enhance operations at our Fannie May Fine Chocolates business. Importantly, the changes we made have positioned Fannie May to increase its focus on accelerating revenue growth as it rolls out innovative marketing and merchandising programs online, in the Mobile and Social arenas, in its retail stores and for its wholesale customers. As mentioned earlier, during fiscal 2014 we also invested to expand our Cheryl's bakery facility in Westerville, Ohio where we have doubled the physical space and more than doubled our production capacity in response to continued strong ecommerce demand for Cheryl's unique frosted cookies and brownies.

HARRY & DAVID JOINS OUR FAMILY OF BRANDS

At the end of our fiscal 2015 first quarter, we were very excited to announce the acquisition of Harry & David. The signature Harry & David product offering includes its flagship Royal Riviera® pears, Fruit-of-the-Month Club® products, Tower of Treats® gifts, Moose Munch® caramel and chocolate popcorn snacks and Wolferman's® specialty English muffins, among other gift products. Combined with our existing family of great gourmet gift brands, including Fannie May, Cheryl's, The Popcorn Factory, FruitBouquets.com, 1-800Baskets.com and Stockyards, Harry & David positions us as a leader in the growing, multi-billion dollar gourmet food and gift basket space.

The acquisition will increase our total annual revenues to more than $1.1 billion in fiscal 2015 and includes Harry & David's brands and websites, its headquarters, orchards and manufacturing and distribution facilities in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 48 retail stores located throughout the country. Importantly, one of the most valuable assets that came with the Harry & David acquisition is its talented and passionate management team and associates located in Medford, Oregon and around the country. This team has done a remarkable job over the past several years of rebuilding the iconic Harry & David brand and driving both top and bottom-line growth in a challenging consumer environment.

We funded the all-cash acquisition through a new credit facility consisting of a $142.5 million five-year term loan and a $200 million revolving credit line to be used for working capital and other business needs. In addition to its tremendous strategic value, the acquisition of Harry & David is significantly accretive to our bottom line results before including any potential additional benefits from operating or revenue generating synergies. We believe there are a number of complimentary and highly leveragable assets resulting from this acquisition that will provide opportunities for both revenue growth and operational efficiencies going forward.

MULTI-BRAND WEBSITE LAUNCH

During fiscal 2014 we continued to invest and made significant progress in the development of our new, multi-branded website. This unique gifting website unites our growing family of great gift brands on one, unified platform – with a shared shopping cart, shared address book, shared rewards program and much more – and provides our customers with a single destination where they can find truly original gifts for all of their celebratory occasions. We believe the multi-brand website is a true game changer in terms of enhancing our cross-brand marketing and merchandising efforts and expanding national awareness for all of our great gifting brands. In addition, we believe this strategy will help enhance the effectiveness and efficiency of our marketing investments, across all brands and channels, by driving customer traffic to our one-stop gift shop; creating a network effect that will benefit all of our brands.

As we roll out the multi-branded site during fiscal 2015, we expect to gain valuable learnings about what works and what, perhaps, doesn't work as well, and we will make adjustments accordingly along the way. We are also looking forward to gaining valuable insights into our customers' behaviors and interests, which will help us tailor our marketing and merchandising programs going forward.

TOP AND BOTTOM-LINE GROWTH GUIDANCE ACROSS ALL BUSINESS SEGMENTS

Fiscal 2015 guidance, including the anticipated contributions from Harry & David, calls for total net revenues in excess of $1.1 billion. Reflecting the highly seasonal nature of the Harry & David business (which has historically generated the majority of its revenues and all of its profits during the key, calendar-year-end holiday season) we anticipate that our fiscal second quarter, ending December 28, 2014, will represent approximately 46-to-50 percent of total revenues for the fiscal year. In terms of our bottom-line, we expect to generate:

- Adjusted EBITDA of approximately $90 million for fiscal 2015 (excluding transaction costs and purchase accounting adjustments related to the Harry & David acquisition and the impact of stock-based compensation) and
- Adjusted EPS in a range of $0.45-to-$0.50 per fully-diluted share (excluding the aforementioned transaction-related costs and purchase accounting adjustments, but including the impact of stock-based compensation).

It is important to note that our top and bottom-line guidance for the full fiscal 2015 year does not include Harry & David's results for the fiscal first quarter of the year which is typically their lowest in terms of revenues and includes a substantial bottom-line loss. This reflects the seasonality of the Harry & David business and the timing of the close of the acquisition at the start of our fiscal 2015 second quarter.

EXCITING OPPORTUNITIES

Looking ahead, we are excited about the significant opportunities we see in our business to accelerate top and bottom-line growth going forward, including:

- The addition of the iconic Harry & David brand,
- The new marketing and merchandising initiatives in our 1-800-FLOWERS.COM business,
- Our growing market position for BloomNet and
- Our new Multi-Brand Website.

While we remain cognizant of the continued challenges in the consumer economy, we believe we are well positioned, with our growing family of great gift brands, as a leading destination for our customer's gifting and celebratory occasions. As always, we are focused on building value for all of our stakeholders and we thank you for your continued support.

Jim

Jim McCann
Chairman and CEO

Chris McCann
President

January 2015

On September 30, 2014, 1-800-FLOWERS.COM® acquired Harry & David Holdings, Inc., combining the world's leading florist and gift shop and its family of gourmet food brands with the iconic Harry & David® line of gift baskets, signature fruits and other gourmet products. In addition to further extending 1-800-FLOWERS.COM's position as the leading gifting destination for all its customers' celebratory occasions, the acquisition created an omni-channel gift retailer with more than $1.1 billion in annual sales. The Harry & David® product offering includes such favorites as Royal Riviera® pears, Fruit-of-the-Month Club® products, Tower of Treats® gifts, Moose Munch® snacks and Wolferman's® English muffins. The addition of Harry & David to 1-800-FLOWERS.COM's great family of gourmet brands including Fannie May®, Cheryl's®, The Popcorn Factory®, Fruit Bouquets®, 1-800-Baskets.com® and Stockyards.com® makes the Company a leading player in the gourmet food gift space and offers many opportunities for cross merchandising and marketing.

SUNDAY	MONDAY	TUESDAY
4	5	6
11	12	13
18	19 *Martin Luther King Jr.'s Birthday (observed)*	20
25	26	27

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

February 2015

SEND TO WIN

I ♥ FLORISTS

The days leading up to the Valentine's holiday typically involve order volumes as much as ten times normal daily levels for 1-800-FLOWERS.COM® as customers race to express their love through the Company's truly original products. Key in meeting the demand and helping millions of customers "wow" their recipients for Valentine's Day and throughout the year are BloomNet® Florists. As the floral industry's leading wire service innovator, BloomNet offers an extensive array of products and services to thousands of local, professional florists across the country. During fiscal 2014 and continuing in fiscal 2015, BloomNet deepened its relationships with professional florists and enhanced its florist-to-florist order sending opportunities through several highly popular programs including the "I Heart FLORISTS" sweepstakes – asking BloomNet Florists to share their thoughts about why they love being a florist while providing diverse ways for them to win valuable prizes by increasing the orders they send.

SUNDAY	MONDAY	TUESDAY
1	2 *Groundhog Day*	3
8	9	10
15	16 *Presidents' Day*	17
22	23	24


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

March 2015

During fiscal 2014, 1-800-FLOWERS.COM® furthered its commitment to providing engaging mobile experiences that make gifting quick and simple no matter the device, time or location of a purchase. The Company continued to remain at the forefront of mobile commerce by launching the floral industry's first tablet-optimized experience. The site provides a superior user interface by integrating tablet specific features and content formatted specifically for the mid-sized screen. Additionally, the Company expanded the number of one-click payment options offered across its mobile platforms by implementing Google Wallet and Visa Checkout. To further engage with its customers, 1-800-FLOWERS.COM also launched a partnership with Kahuna, enabling the Company to send tailored offers and messages to its mobile app users.

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15	16	17 St. Patrick's Day
22	23	24
29	30	31

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

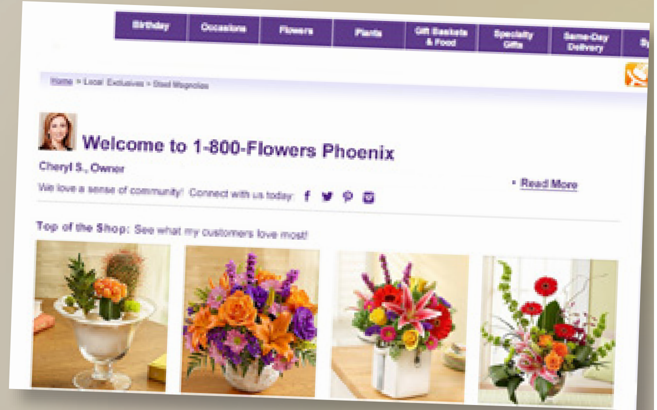
April 2015

In fiscal 2014, 1-800-FLOWERS.COM® continued to focus on social media as a vital tool to engage customers. The Company's social-by-design #JustBecause campaign, introduced in fiscal 2013, continued to be highly popular throughout fiscal 2014, as customers engaged through the Company's social channels to share all their "just because" reasons for giving. Customers can also express their thoughtfulness by choosing from many "just because" gifts available for as little as $5-delivered, including delicious possibilities from Cheryl's® baked goods, Fannie May® Fine Chocolates, The Popcorn Factory® and 1-800-Baskets.com®. 1-800-FLOWERS.COM is also utilizing social networks to enhance customer service. This is exemplified by the Company's dedicated Twitter team that, on-average, responds to customer inquiries and assists in resolving issues within five minutes or less – among the fastest in ecommerce, helping to generate greater customer satisfaction and loyalty and, most important, deliver smiles.

SUNDAY	MONDAY	TUESDAY
5 *Easter*	6	7
12	13	14
19	20 *Administrative Professionals' Week Begins*	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1 *April Fools Day*	2	3 *Passover Begins at Sunset*	4
8	9	10	11
15	16	17	18
22 *Administrative Professionals' Day*	23	24	25
29	30		

May 2015



During fiscal 2014, 1-800-FLOWERS.COM® and its BloomNet® wire service expanded their commitment to local florists with the introduction of the Local Exclusive Florist Designed Program. The program provides florists across the nation with the unique opportunity to feature their truly original product designs on the 1-800-Flowers.com website, showcasing their talents to millions of consumers and creating widespread sales possibilities. BloomNet also continued to solidify its relationships with professional florists in several other ways, including the monthly Floriology® magazine filled with inspirational ideas to help increase florists' revenues. In addition, florists can expand their design skills at the Floriology Institute in Jacksonville, Florida and BloomNet is also collaborating with Udemy... the world's leading online learning source...to provide a wide range of profit-enhancing courses for florists through Floriology Institute Online.

SUNDAY	MONDAY	TUESDAY
3	4	5 Cinco dé Mayo
10 Mother's Day	11	12
17	18	19
24 / 31	25 Memorial Day (observed)	26

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1 *National Bring Your Mom to Work Day*	2
6	7	8	9
13	14	15	16
20	21	22	23
27	28	29	30

June 2015

1-800-FLOWERS.COM® continued to underscore its dedication to local communities in fiscal 2014 through the "Summer of a Million Smiles" program. For the third straight summer, associates from each of the Company's brands, along with BloomNet Florists, volunteered their time and shared their energy in local neighborhoods – delivering smiles and posting their stories on social networks. Among the many heartwarming stories were the numerous visits of 1-800-FLOWERS.COM associates to veterans hospitals, cancer centers and nursing homes to give out floral bouquets and gourmet treats as well as teaching surfing and crewing to developmentally disabled children and adults and contributing to the World T.E.A.M. Sports 2014 Coastal Team Challenge where teams of disabled and able-bodied athletes worked together to overcome challenges and provide inspiration for all involved.

Summer of a Million SMILES
★ SEND A SMILE TODAY! ★

SUNDAY	MONDAY	TUESDAY
	1	2
7	8	9
14 *Flag Day*	15	16
21 *Father's Day* *First Day of Summer*	22	23
28	29	30

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

July 2015

Consumers are increasingly looking for uniquely personal ways to express their thoughtfulness, and 1-800-FLOWERS.COM® has steadily expanded its offerings of personalizeable products across all of its brands. For instance, customers can convey birthday greetings and other sentiments from the heart with Message in a Bottle® featuring a choice of pre-printed poems or custom-created messages. Another example includes tins from The Popcorn Factory® brimming with delectable treats and personalized with customer-uploaded photos. At the beginning of fiscal 2015, 1-800-FLOWERS.COM broadened the possibilities even further through the launch of PersonalizationUniverse.com – offering customers the ability to create the perfect, personal gift by placing their favorite photos on everything from coffee cups and T-shirts to smartphone cases and wall art.

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14 *Bastille Day*
19	20	21
26 *Parents' Day*	27	28

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

August 2015

1-800-FLOWERS.COM® continued to widen the geographic footprint of its Fruit Bouquets® brand during fiscal 2014, gaining increased national coverage by leveraging the unique design, confection and delivery capabilities of florists around the country. Consumers love these carved fresh fruit arrangements boasting succulent strawberries, delicious melons, juicy grapes, sweet pineapples and sumptuous oranges...each expertly crafted in gift baskets and customized containers. For many flower shops, Fruit Bouquets provide an ideal extension to their floral offering, creating exciting gift alternatives for their customers and generating increased revenues for their businesses. Adding to the momentum in fiscal 2014, 1-800-FLOWERS.COM further broadened its growing number of Fruit Bouquets fulfillers by signing up many local gourmet shops and caterers.

SUNDAY	MONDAY	TUESDAY
2	3 National Friendship Week Begins	4
9	10	11
16	17	18
23 / 30	24 / 31	25


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

September 2015

Every 1-800-FLOWERS.COM® customer, across all the Company's brands, can be confident that their gift buying experience will be an exceptional one. Embodying that commitment is a caring team of associates obsessed with service, backed by a 100% "Smile Guarantee" that assures only the freshest flowers and the very best gourmet foods. In 2014, 1-800-FLOWERS.COM was honored with the prestigious Silver Stevie Award recognizing customer service excellence. Further illustrating the Company's dedication to providing a superior customer experience, 1-800-FLOWERS.COM Founder and CEO Jim McCann was named a 2014 Customer Champion by 1to1 Media, a leading multimedia resource for customer service insight and best practices.

SUNDAY	MONDAY	TUESDAY
		1
6	7 *Labor Day*	8
13 *Grandparents Day* *Rosh Hashanah Begins at Sunset*	14	15
20	21	22 *Yom Kippur Begins at Sunset*
27	28	29

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11 *Patriot Day*	12
16	17	18	19
23 *First Day of Fall*	24	25	26
30			

October 2015

During the 2014 holiday season 1-800-FLOWERS.COM® unveiled its new multi-brand website, enhancing the shopping experience and reinforcing the Company's position as the world's leading gifting destination for all its customers' celebratory occasions. Regardless of which "brand door" customers enter, they now find themselves in a unified gift shop providing a vast array of gifting options. Customers can also benefit from many features and functions that make it more convenient than ever to act on their thoughtfulness...such as one shopping cart, one customer sign-in and one recipient address book. Other key enhancements include the unique, points-based 1-800-FLOWERS.COM "Celebrations Rewards" program and the "Celebrations Passport" service that provides free, year-round shipping across all the Company's brands.

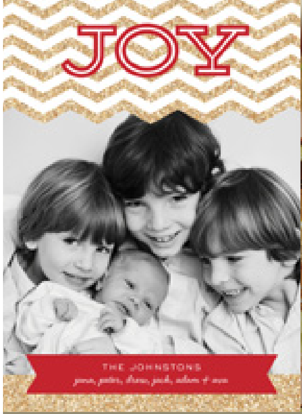
SUNDAY	MONDAY	TUESDAY
4	5	6
11	12 *Columbus Day (observed)*	13
18	19	20
25	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8 *National Children's Day*	9	10
14	15	16 *National Boss's Day*	17 *Sweetest Day*
21	22	23	24
28	29	30	31 *Halloween*

November 2015

In fiscal 2014, the Business Gift Services division of 1-800-FLOWERS.COM® launched several programs designed to expand the Company's gifting services for corporate accounts. Among these were loyalty programs with JetBlue, AARP, Caesars Entertainment, and Visa Checkout. Additional key initiatives included: continued growth of employee soft benefits programs for corporate customers through the Company's Business-2-Employee marketplace supported by Nextjump, Working Advantage, Perkspot, Beneplace and others; and growth in the gift card channel through relationships with Discover, Martiz, Gift Card Partners, Gift Tango, InComm and others. The BGS division is expecting a significant boost in fiscal 2015 from the addition of the Harry & David brand and its iconic line of gift products.

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



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

December 2015

The holidays simply wouldn't be the holidays without delicious treats for family and friends to enjoy. Early in fiscal 2015, 1-800-FLOWERS.COM® acquired the beloved Harry & David® brand and its diverse line of exceptional fruits, muffins, baskets and other gifts. These favorites joined the extensive assortment of scrumptious choices from the 1-800-FLOWERS.COM family of gourmet brands including artisanal chocolates and chocolate-dipped strawberries from Fannie May®, enticing baked goods from Cheryl's®, irresistible snacks from The Popcorn Factory®, and overflowing gift baskets from 1-800-Baskets.com®. Altogether, it adds up to the ultimate array of thoughtful gifts, at virtually every price point, to deliver a smile to all the special people on every customer's holiday list.

SUNDAY	MONDAY	TUESDAY
		1
6 *Hanukkah Begins at Sunset* 100% SMILE GUARANTEE	7	8
13	14	15
20	21	22 *First Day of Winter*
27	28	29

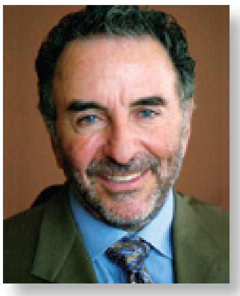
WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5
9	10	11	12
16	17	18	19
23	24	25 *Christmas Day*	26 *First Day of Kwanzaa*
30	31		

BOARD OF DIRECTORS

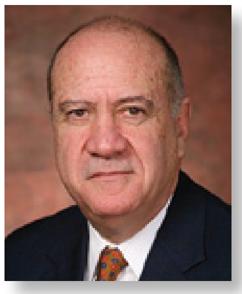
James F. McCann
Chairman and
Chief Executive Officer
1-800-FLOWERS.COM, Inc.

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

Geralyn R. Breig
President
Clarks, Americas



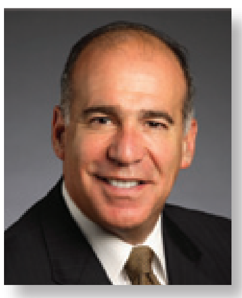
James A. Cannavino
IBM Company
Senior Vice President
Retired



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

Leonard J. Elmore
Network Television
Sports Analyst
Attorney at Law

Lawrence V. Calcano
President
iCapital Network, Inc.



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

Sean P. Hegarty
Managing Partner
Hegarty & Company

Fiscal Year 2014

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 29, 2014, June 30, 2013, and July 1, 2012 and the consolidated balance sheet data as of June 29, 2014 and June 30, 2013, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for the years ended July 3, 2011 and June 27, 2010, and the selected consolidated balance sheet data as of July 1, 2012, July 3, 2011 and June 27, 2010, 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 16 franchised stores from GB Chocolates on June 27, 2014, iFlorist in December 2013, 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 businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, 2011 and 2010, and the results of the e-commerce and procurement businesses as discontinued operations for all periods presented. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report.

	Years Ended				
	June 29, 2014	June 30, 2013	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues	**$756,345**	$735,497	$707,517	$661,389	$644,913
Cost of revenues	**440,672**	430,305	414,940	386,296	383,981
Gross profit	**315,673**	305,192	292,577	275,093	260,932
Operating expenses:					
Marketing and sales	**194,847**	186,720	181,199	171,960	169,396
Technology and development	**22,518**	21,700	20,426	20,109	17,581
General and administrative	**54,754**	52,188	51,474	48,701	48,468
Depreciation and amortization	**19,848**	18,798	19,540	20,237	20,257
Total operating expenses	**291,967**	279,406	272,639	261,007	255,702
Gain on sale of stores	**—**	—	3,789	—	—
Operating income	**23,706**	25,786	23,727	14,086	5,230
Interest expense and other, net	**(1,357)**	(991)	(2,635)	(3,993)	(5,548)
Income (loss) from continuing operations before income taxes	**22,349**	24,795	21,092	10,093	(318)
Income tax expense from continuing operations	**8,403**	9,073	7,771	3,903	465
Income (loss) from continuing operations	**13,946**	15,722	13,321	6,190	(783)
Income (loss) from discontinued operations, net of tax	**729**	(3,401)	4,325	(468)	(3,437)
Net income (loss)	**$ 14,675**	$ 12,321	$ 17,646	$ 5,722	$ (4,220)
Less: Net loss attributable to noncontrolling interest	**$ (697)**	$ —	$ —	$ —	$ —
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 15,372**	$ 12,321	$ 17,646	$ 5,722	$ (4,220)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.23**	$ 0.24	$ 0.21	$ 0.10	$ (0.01)
From discontinued operations	**$ 0.01**	$ (0.05)	$ 0.07	$ (0.01)	$ (0.05)
Basic net income per common share	**$ 0.24**	$ 0.19	$ 0.27	$ 0.09	$ (0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.22**	$ 0.24	$ 0.20	$ 0.10	$ (0.01)
From discontinued operations	**$ 0.01**	$ (0.05)	$ 0.07	$ (0.01)	$ (0.05)
Diluted net income per common share	**$ 0.23**	$ 0.19	$ 0.27	$ 0.09	$ (0.07)
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**64,035**	64,369	64,697	64,001	63,635
Diluted	**66,460**	66,792	66,239	65,153	63,635

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

	As of				
	June 29, 2014	June 30, 2013	July 1, 2012	July 3, 2011	June 27, 2010
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	**$ 5,203**	$ 154	$ 28,854	$ 21,442	$ 27,843
Working capital	**17,511**	16,886	29,721	17,303	22,963
Total assets	**267,569**	250,073	262,213	259,075	256,936
Long-term liabilities	**7,144**	5,039	17,080	32,242	48,745
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**183,199**	169,271	161,748	142,511	133,476

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 was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM has been honored in Internet Retailer's "Top 500 Guide" for 2014. Of Internet Retailer's "2013 Top 100 E-Retailers," 1-800-FLOWERS.COM was named one of 12 e-retailers that LightningBuy mobile analysts deemed "exceptional user interface for consumers using guest checkout." 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. 1-800-FLOWERS.COM is rated EXCELLENT by StellaService which represents a general high quality of service for its customer service performance.

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 source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday.

On August 30, 2014, the Company entered into a definitive agreement to acquire Harry & David Holdings, Inc (Harry & David), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman's® and Cushman's® brands. The anticipated transaction, at a purchase price of $142.5 million, includes the Harry & David's brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 47 Harry & David retail stores located throughout the country. Harry & David's revenues were approximately $380 million in its fiscal 2013. 1-800-FLOWERS.COM, Inc. has secured committed funding for the acquisition from JP Morgan Chase and Wells Fargo Bank. The acquisition is expected to close in October 2014, subject to the satisfaction of customary closing conditions, including regulatory approval. Unless otherwise specified, the information contained in the Annual Report of Form 10-K excludes Harry & David.

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 closed on the sale of its Winetasting Network business on December 31, 2013. The Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and the results of the e-commerce and procurement business of Winetasting Network as discontinued operations for all periods presented.

Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company's products is affected by the financial health of our customers, which is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability 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.

Fiscal 2014 was a challenging year for the Company. While the Company made significant strides to improve the operating results of its Gourmet Food & Gift Baskets segment, and continued to grow both the revenues and contribution margin of BloomNet, these gains were largely offset by the year-over-year decline within the Consumer Floral segment. Subsequent to fiscal 2010, as a result of operating expense reductions, productivity improvements, and marketing efficiency and merchandising innovations, which drove cost effective revenue growth, EBITDA steadily climbed through fiscal 2013. In fiscal 2014, EBITDA declined for the first time since fiscal 2010, the low point of the recession for the Company.

During fiscal 2014, as the Company recognized some improvement in the economy, it moved forward with plans to increase marketing spend to spur demand. Although the Company was able to increase revenue from $735.5 million in fiscal 2013 to $756.3 million in fiscal 2014, generating revenue growth across all of its segments, as a result of the negative effects of the severe weather across much of the country during the Company's fiscal 3rd quarter, culminating with the Valentine's Day blizzard, combined with competitive pricing pressures and lackluster consumer demand, the increase in revenue was insufficient to support the incremental operating spend.

Recognizing the need to balance the Company's short and long-term operating and financial objectives, the primary objectives during fiscal 2015 is to return the Consumer Floral segment to profitable growth, as well as build on the revenue and earnings momentum generated within the BloomNet and Gourmet Food & Gift Baskets segments. Tempered by the current economic climate, during fiscal 2015, the Company expects to grow EBITDA and EPS at rates in excess of its revenue growth, reflecting anticipated improvements in gross profit margin and operating leverage. These expectations exclude the impact of the planned acquisition of Harry & David Holdings, Inc., which is not scheduled to close until October 2014.

For fiscal 2015, the Company has planned a number of initiatives that will enable it to drive enhanced top and bottom-line growth, including:

- launching the new consolidated customer database and multi-brand website which should benefit all brands by further enhancing the Company's position as the leading, one-stop destination for all of our customers' gifting and celebratory needs;
- growing the Fruitbouquets.com business, building momentum toward national coverage;
- stabilizing the Consumer Floral operations, minimizing operational risk in order to return the segment to EBITDA growth;
- growing BloomNet's market position through its innovative products, services and technology offerings that continue to outpace the competition,
- expand production capacity at Cheryl's to build on what is already strong growth and customer loyalty, and
- reinvigorate the Fannie May brand, where the new management team is now turning their focus to driving accelerated revenue growth.

The Company believes that these initiatives and its continued focus on the following core values will drive long-term profitable growth:

- *Know and Take Care of Our Customer* – by providing the right products and the best services with consistent, excellent quality and value to help them express themselves and deliver smiles. 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM is rated "EXCELLENT" by StellaService.
- *Maintain and enhance our Financial Strength and Flexibility* - by seeking ways to reduce our operating costs while strengthening our balance sheet and adding flexibility to our capital structure. During fiscal 2010, the Company completed the sale of its non-strategic Home and Children's Gifts business and used the proceeds to further pay down term debt, strengthening its balance sheet and revising its bank credit facility to provide additional flexibility; in the fourth quarter of fiscal 2013, the Company paid off all of its long-term debt and closed on a new, cost efficient bank credit facility; and in the second quarter of fiscal 2014, the Company completed the sale of the Winetasting Network.
- *Continue to Innovate and Invest for the Future* – by investing in technology and new growth opportunities 1-800-FLOWERS.COM has been honored in Internet Retailer's "Top 500 Guide" for 2014. Of Internet Retailer's "2013 Top 100 E-Retailers," 1-800-FLOWERS.COM was named one of 12 e-retailers that LightningBuy mobile analysts deemed "exceptional user interface for consumers using guest checkout." 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards.

Faced with a still challenging economic climate, these strategic investments, coupled with improved manufacturing and labor efficiency plans and more targeted and efficient advertising spend, will not only generate revenue growth and consumer loyalty but position the Company to achieve its strategic, financial and operational objectives in the coming year, which in turn will 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, have been classified as discontinued operations and therefore excluded from category information below.

Net Revenues from Continuing Operations:

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Net revenues from continuing operations:					
1-800-Flowers.com Consumer Floral	**$421,336**	2.4%	$411,526	3.4%	$398,184
BloomNet Wire Service	**84,199**	2.9%	81,822	(0.9%)	82,582
Gourmet Food & Gift Baskets	**251,990**	3.6%	243,225	6.7%	228,002
Corporate	**797**	1.0%	789	2.1%	773
Intercompany eliminations	**(1,977)**	(6.0%)	(1,865)	7.9%	(2,024)
Total net revenues from continuing operations	**$756,345**	2.8%	$735,497	4.0%	$707,517

Gross Profit from Continuing Operations:

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Gross profit:					
1-800-Flowers.com Consumer Floral	**$164,792**	0.7%	$163,726	5.7%	$154,892
	39.1%		39.8%		38.9%
BloomNet Wire Service	**44,900**	7.7%	41,674	7.6%	38,737
	53.3%		50.9%		46.9%
Gourmet Food & Gift Baskets	**105,092**	6.3%	98,839	0.5%	98,382
	41.7%		40.6%		43.1%
Corporate	**889**	(6.7%)	953	68.4%	566
Intercompany eliminations	**—**		—		—
Total gross profit from continuing operations	**$315,673**	3.4%	$305,192	4.3%	$292,577
	41.7%		41.5%		41.4%

Adjusted EBITDA from continuing operations, excluding stock-based compensation:

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Category Contribution Margin(**)					
1-800-Flowers.com Consumer Floral	**$ 40,252**	(14.7%)	$ 47,193	20.6%	$ 39,147
BloomNet Wire Service	**26,715**	4.3%	25,611	14.6%	22,339
Gourmet Food & Gift Baskets(***)	**27,122**	33.3%	20,345	(32.6%)	30,193
Segment Contribution Margin Subtotal	**94,089**	1.0%	93,149	1.6%	91,679
Corporate(*)	**(50,535)**	(4.1%)	(48,565)	(0.3%)	(48,412)
EBITDA from continuing operations	**43,554**	(2.3%)	44,584	3.0%	43,267
Add: Stock-based compensation	**4,664**	8.9%	4,283	(11.7%)	4,850
EBITDA from continuing operations, excluding stock-based compensation	**48,218**	(1.3%)	48,867	1.6%	48,117
Adjusted for: Gain on sale of stores(***)	**—**	—	—	—	(3,789)
Adjusted EBITDA from continuing operations, excluding stock-based compensation	**$ 48,218**	(1.3%)	$ 48,867	10.2%	$ 44,328

Reconciliation of income from continuing operations to income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
Income from continuing operations	**$ 13,946**	$ 15,722	$ 13,321
Less: Net loss attributable to noncontrolling interest	**(697)**	—	—
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**14,643**	15,722	13,321
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.23**	$ 0.24	$ 0.21
Diluted	**$ 0.22**	$ 0.24	$ 0.20

Discontinued Operations:

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
	(dollars in thousands)		
Net revenues from discontinued operations	**$ 1,669**	$ 5,154	$ 10,743
Gross profit from discontinued operations	**429**	149	1,787
EBITDA from discontinued operations	**$ (868)**	$ (2,769)	$ (672)

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

Reconciliation of Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc. to adjusted EBITDA from continuing operations, excluding stock-based compensation (**):

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$ 14,643**	$ 15,722	$ 13,321
Add:			
Interest expense and other, net	**1,357**	991	2,635
Depreciation and amortization	**19,848**	18,798	19,540
Income tax expense	**8,403**	9,073	7,771
Less:			
Net loss attributable to noncontrolling interest	**697**	—	—
EBITDA from continuing operations	**43,554**	44,584	43,267
Add: Stock-based compensation	**4,664**	4,283	4,850
EBITDA from continuing operations, excluding stock-based compensation	**48,218**	48,867	48,117
Less:			
Gain on sale of stores (***)	**—**	—	3,789
Adjusted EBITDA from continuing operations, excluding stock-based compensation	**$ 48,218**	$ 48,867	$ 44,328

(*) 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.

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 2014, 2013 and 2012 consisted of 52 weeks which ended on June 29, 2014, June 30, 2013 and July 1, 2012, respectively.

Net Revenues

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Net revenues:					
E-Commerce	**$ 548,976**	2.3%	$536,550	4.7%	$512,247
Other	**207,369**	4.2%	198,947	1.9%	195,270
	$ 756,345	2.8%	$735,497	4.0%	$707,517

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 29, 2014, revenues increased by 2.8% in comparison to the prior year as a result of revenue growth across all business segments. This growth was driven by: i) a combination of new product initiatives and increased marketing efforts focusing on the Company's "everyday" and "Just Be-cause" campaigns, ii) incremental revenues generated by the Company's acquisition of a majority interest in iFlorist on December 3, 2013, iii) continued improvements within the BloomNet segment as a result of additional market penetration, and iv) improvements within the Gourmet Food & Gift Baskets segment as a result of the continued rebound of DesignPac's wholesale gift basket products, and solid ecommerce growth within Cheryl's bakery gifts product line. These growth drivers were partially offset by: i) the impact of severe winter weather beginning in January, culminating with the winter storm that affected much of the country during the key Valentine holiday, ii) the calendar shift that resulted in six fewer shopping days between Thanksgiving and Christmas, and by, iii) the continuation of a difficult macro-economic climate, especially for the sellers of discretionary products. Adjusting for the pro-forma impact of the revenue associated with the acquisition of a majority interest of iFlorist, revenue increased approximately 1.8% during the year ended June 29, 2014.

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.

E-commerce revenues (combined online and telephonic) increased by 2.3% during the year ended June 29, 2014 and 4.7% during the year ended June 30, 2013. Revenue growth was attributable to: i) 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, ii) our "Just Because" and "Never Settle For Less" marketing campaigns, and iii) the impact of the acquisition of iFlorist in December 2013. During fiscal 2014, these efforts were partially offset by the severe weather which impacted all of the Company's brands, especially during the 2014 Valentine holiday. The Company fulfilled approximately 9.1 million, 8.9 million and 8.2 million e-commerce orders during fiscal 2014, 2013 and 2012, respectively, while average order value was $60.09 in fiscal 2014 compared to $60.59 in fiscal 2013 and $62.26 in fiscal 2012.

Other revenues, comprised of the Company's BloomNet Wire Service segment, as well as the wholesale and retail sales channels of its 1-800-Flowers.com Consumer Floral and Gourmet Food and Gift Baskets segments, increased by 4.2% and 1.9% during fiscal 2014 and fiscal 2013, respectively. The increased revenue in fiscal 2014 and 2013 was primarily due to growth in sales of DesignPac's wholesale gift baskets, partially offset by declines in Fannie May wholesale volume as a result of prior years' operational issues. Fiscal 2014 also benefitted from growth within the BloomNet WireService segment.

The 1-800-Flowers.com Consumer Floral segment includes the operations of the 1-800-Flowers and iFlorist brands, and 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 29, 2014 and June 30, 2013 increased by 2.4% and 3.4% over the respective prior year periods, due to increased order volumes, driven by enhanced marketing and merchandising programs that encourage our customers to "wow" their gift recipients and "Never Settle For Less." Excluding the impact of the acquisition of iFlorist in December 2013, fiscal 2014 revenue growth within the 1-800-Flowers.com Consumer Floral segment was 0.6%.

The BloomNet Wire Service segment includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during the fiscal year ended June 29, 2014 increased 2.9%, as a result of higher membership fees and transaction revenues, driven in part by pricing initiatives and increases in order volume from 1-800-Flowers.com and other BloomNet members, reflecting continued increases in market penetration for the Company's expanded suite of products and services. 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.

The Gourmet Food & Gift Baskets segment includes the operations of Cheryl's (which includes Mrs. Beasley's), Fannie May Confections, The Popcorn Factory, 1-800-Baskets/DesignPac, and Stockyards.com businesses. Revenue is derived from the sale of cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, 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 (see below), as well as wholesale operations. Net revenue during the fiscal year ended June 29, 2014 and June 30, 2013, increased by 3.6% and 6.7%, respectively, in comparison to the prior years. The growth for fiscal year ended June 29, 2014 was primarily due to Cheryl's e-commerce growth and the continued rebound in DesignPac wholesale gift basket sales, partially offset by the impact of the severe weather during the year. Growth during the fiscal year ended June 30, 2013 was primarily due to 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 the recovery of DesignPac's wholesale gift basket sales, which rebounded after several years of declines, partially offset by a decline in Fannie May wholesale volume.

For fiscal 2015, 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. In June 2014, the Company terminated its franchise agreement with GB Chocolates and acquired 16 Fannie May stores GB had been operating under the agreement (as such, in fiscal 2015, retail store sales growth will replace franchise revenues).

Gross Profit

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Gross profit	**$315,673**	3.4%	$305,192	4.3%	$292,577
Gross margin %	**41.7%**		41.5%		41.4%

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

Gross profit increased 3.4% during the fiscal year ended June 29, 2014, in comparison to the prior year period, due to the aforementioned revenue growth, including the acquisition of a majority interest in iFlorist, combined with a 20 basis point expansion of gross margin percentage, primarily attributable to improvements within the Gourmet Food & Gift Basket and BloomNet WireService segments, partially offset by the impact of higher customer credits associated with the severe weather experienced during the Valentine holiday. Gross profit increased during the fiscal year 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.

The 1-800-Flowers.com Consumer Floral segment gross profit increased by 0.7% and 5.7% during the fiscal years ended June 29, 2014 and June 30, 2013, respectively, in comparison to the respective prior year periods, due to the higher revenue, as described above. During fiscal 2014, the Company experienced a decline in the gross margin percentage of 70 basis points as a result of lower margins associated with the newly acquired iFlorist business, as well as higher customer credits issued during the period due to the severe weather during the Valentine holiday. Excluding the impact of the iFlorist acquisition, gross margin percentage decreased 40 basis points. During fiscal 2013 the Company's gross margin improved 90 basis points due to merchandising sourcing and logistics initiatives, combined with reductions in promotional activity.

The BloomNet Wire Service segment gross profit increased by 7.7% and 7.6% during the fiscal years ended June 29, 2014 and June 30, 2013, respectively. The gross profit increases are primarily the result of an increase in higher margin service offerings, including membership/transaction fees, web-marketing and directory advertising programs. The higher revenue growth and mix of these fees, in comparison to sales of lower margin product sales, such as vases, resulted in margin expansion from 46.9% in fiscal 2012 to 50.9% in fiscal 2013 and 53.3% in fiscal 2014.

The Gourmet Food & Gift Baskets segment gross profit increased by 6.3% during the fiscal year ended June 29, 2014, in comparison to the prior year, due to the aforementioned revenue increases, as well as through gross margin expansion of 110 basis points due to the operational improvements implemented at Fannie May, as well as manufacturing and production efficiencies, partially offset by promotional offers and customer service issues resulting from the inclement weather during the year. Gross profit increased by 0.5% during the fiscal year ended June 30, 2013, in comparison to the prior year, due to the above mentioned revenue increases, partially offset by a decrease in gross margin percentage of 250 basis points. This decrease in gross margin percentage 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.

For fiscal 2015, the Company expects its gross margin percentage will improve in comparison to fiscal 2014 as a result of expected changes in sales mix, and additional improvements in product sourcing, supply chain and manufacturing efficiencies.

Marketing and Sales Expense

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Marketing and sales	**$194,847**	4.4%	$186,720	3.0%	$181,199
Percentage of sales	**25.8%**		25.4%		25.6%

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

During the fiscal year ended June 29, 2014, marketing and sales expenses increased 4.4%, compared to the prior year, as a result of: (i) increased advertising programs implemented by the 1-800-Flowers.com brand in order to spur demand, (ii) the impact of the acquisition of iFlorist, and (iii) higher labor due to increase in service center costs in order to improve service levels and handle increased service calls caused by the severe weather during the year. Although this increase in advertising drove incremental volume, as a result of the severe winter weather, culminating with the Valentine blizzard, as well as lackluster consumer demand, marketing and sales expense, as a percentage of net revenues, increased from 25.4% in fiscal 2013 to 25.8% in fiscal 2014.

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 June 29, 2014, the Company added approximately 2.4 million new e-commerce customers, compared to 2.3 million in fiscal 2013 and 2.0 million in fiscal 2012. Of the 4.9 million total customers who placed e-commerce orders during fiscal 2014, approximately 52% were repeat customers, (52% in fiscal 2013).

Technology and Development Expense

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Technology and development	**$ 22,518**	3.8%	$ 21,700	6.2%	$ 20,426
Percentage of sales	**3.0%**		3.0%		2.9%

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its websites, 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 29, 2014, technology and development expense increased by 3.8%, compared to the prior year, as a result of increased license/maintenance costs to support the Company's IT infrastructure, as well as restructuring costs incurred to realign personnel to accommodate the launch of the Company's new multi-branded portal during fiscal 2015.

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 years ended June 29, 2014, June 30, 2013 and July 1, 2012, the Company expended $36.6 million, $37.3 million and $32.7 million, respectively, on technology and development, of which $14.1 million, $15.6 million, and $12.3 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
General and administrative	**$ 54,754**	4.9%	$52,188	1.4%	$ 51,474
Percentage of sales	**7.2%**		7.1%		7.3%

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 4.9% and 1.4% during fiscal 2014 and fiscal 2013, compared to their respective prior years, as a result of increased health care costs and worker's compensation claims, bad debt expense, and annual compensation rate increases, partially offset by decreases in performance based bonuses.

Depreciation and Amortization

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Depreciation and amortization	**$ 19,848**	5.6%	$18,798	(3.8%)	$ 19,540
Percentage of sales	**2.6%**		2.6%		2.8%

Depreciation and amortization expense increased by 5.6% during the fiscal year ended June 29, 2014 compared to the prior year period, as a result of incremental expenses associated with the acquisition of iFlorist, as well as increased capital spending, including technology upgrades.

Depreciation and amortization expense decreased by 3.8% during the fiscal year ended June 30, 2013, compared to the prior year periods, as a result of the Company's efforts in prior years to reduce capital expenditures as the Company was leveraging its existing technology platform.

Interest Expense and other, net

	Years Ended				
	June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
	(dollars in thousands)				
Interest expense and other, net	**$ (1,357)**	(36.9%)	$ (991)	62.4%	$ (2,635)

Interest expense and other, net consists primarily of interest expense and amortization of deferred financing costs attributable to the Company's credit facility, net of income earned on the Company's available cash balances, as well as investment income by the Company's Non-Qualified Deferred Compensation Plan, and its equity interest in Flores Online.

Interest expense and other, net increased during the fiscal year ended June 29, 2014, in comparison to the prior year, due to losses from its equity interest in Flores Online, partially offset by decreases in interest expense on the Company's credit facility as a result of net reduction in borrowings outstanding during the period, and increases in investment income in the Company's Non-Qualified Deferred Compensation Plan.

Interest expense and other, net decreased during the fiscal year ended June 30, 2013, in comparison to the respective prior year, due to repayments of amounts outstanding under the Company's previous term loan, combined with reduced borrowing rates.

Income Taxes

During the fiscal years ended June 29, 2014, June 30, 2013 and July 1, 2012, the Company recorded income tax expense of $8.4 million, $9.1 million and $7.8 million, respectively, resulting in an effective tax rate of 37.6%, 36.6% and 36.8%, 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, rate changes, various tax credits/settlements as well as non-deductible stock-based compensation and goodwill amortization.

At June 29, 2014 the Company's federal and foreign net operating loss carryforwards were $2.8 million and $5.1 million respectively, while the tax effected state net operating loss was $3.3 million, before federal benefit, which if not utilized, will begin to expire in fiscal year 2025, indefinitely, and 2015, respectively.

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 closed on the sale of its e-commerce and procurement businesses on December 31, 2013. The Company had originally estimated a loss of $2.3 million ($1.5 million, net of tax), which was provided for during the fourth quarter of fiscal 2013, but the loss was reduced to $1.0 million, upon finalization of terms and closing on the sale. As a result, the Company reversed $1.3 million ($0.8 million, net of tax) of its accrual for the estimated loss during the fiscal year ended June 29, 2014. 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 29, 2014	June 30, 2013	July 1, 2012
	(dollars in thousands)		
Net revenues from discontinued operations	**$ 1,669**	$ 5,154	$ 10,743
Gross profit from discontinued operations	**$ 429**	$ 149	$ 1,787
Loss from discontinued operations, net of tax	**$ (86)**	$ (1,889)	$ (217)
Gain (loss) on sale of discontinued operations, net of tax	**$ 815**	$ (1,512)	$ 4,542
Income (loss) from discontinued operations	**$ 729**	$ (3,401)	$ 4,325

Liquidity and Capital Resources

Cash Flows

At June 29, 2014, the Company had working capital of $17.5 million, including cash and cash equivalents of $5.2 million, compared to working capital of $16.9 million, including cash and cash equivalents of $0.2 million, at June 30, 2013.

Net cash provided by operating activities of $42.5 million for the fiscal year ended June 29, 2014 was primarily related to net income, adjusted for non-cash charges for depreciation and amortization and stock-based compensation, offset by a slight increase in working capital. Increases in inventory primarily relate to prepositioning of product, resulting from known increases in holiday commitments from customers.

Net cash used in investing activities of $31.5 million for the fiscal year ended June 29, 2014 was primarily attributable to capital expenditures related to the Company's technology infrastructure, and the expansion of the Cheryl's manufacturing facility, as well as the increased investment to a majority ownership interest in iFlorist, a UK based online floral gift provider, and the purchase of Fannie May stores previously franchised to GB Chocolates.

Net cash used in financing activities of $6.0 million for the fiscal year ended June 29, 2014 was primarily attributable to the acquisition of $8.3 million of treasury stock, partially offset by proceeds from exercise of employee stock options and excess tax benefits from stock based compensation. All working capital borrowings under the Company's revolving credit facility were repaid by the end of the fiscal year.

Credit Facility

On April 10, 2013, the Company repaid all amounts outstanding under its 2010 Credit Facility, and 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 revised certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 29, 2014 and June 30, 2013. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, 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 are secured by liens on all personal property of the Company and its domestic subsidiaries.

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. It is anticipated that any borrowings required subsequent to the end of the fiscal second quarter will be for non-working capital purposes, such as capital additions, including the completion of the Cheryl's production facility expansion, as well as stock repurchases and acquisitions.

On August 30, 2014, the Company entered into a definitive agreement to acquire Harry & David Holdings, Inc. (Harry & David), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman's® and Cushman's® brands. The Company has secured committed financing for the $142.5 million purchase price, and working capital requirements, from certain members of its banking syndicate. The acquisition is expected to close in October 2014, subject to the satisfaction of customary closing conditions, including regulatory approval.

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 $8.3 million (1,561,206 shares), $9.6 million (2,490,065 shares) and $3.3 million (1,133,913 shares) during the fiscal years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively, under this program. As of June 29, 2014, $10.6 million remains authorized under the plan.

Contractual Obligations

At June 29, 2014, 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)		
Operating lease obligations	$ 73,522	$ 14,141	$ 25,754	$ 16,834	$ 16,793
Sublease obligations	3,621	740	1,238	588	1,055
Purchase commitments(*)	49,502	47,236	2,260	6	—
Total	$126,645	$ 62,117	$ 29,252	$ 17,428	$ 17,848

(*) 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 2014, 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 34% decrease in the fair value of the Company's reporting units as of June 29, 2014, 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 2014, 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.

Recently Adopted Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment," 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. This ASU became effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 29, 2014. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU No. 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for the Company's fiscal year ending July 3, 2016, and may be applied retrospectively. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This amended guidance will enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Expanded disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. This guidance will be effective for the Company's fiscal year ending July 1, 2018 and may be applied retrospectively. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds and investment grade corporate and U.S. government securities, as well as from outstanding debt. As of June 29, 2014, 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 current expectations or beliefs 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," 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, among others: the Company's ability to achieve its guidance for revenue, Adjusted EBITDA and Adjusted EPS; its ability to manage the significantly increased seasonality of its business; its ability to integrate the operations of acquired companies, including Harry & David; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, including EBITDA and Free Cash Flow, among others, 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 2014 and 2013. 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.

	Jun. 29, 2014	Mar. 30, 2014	Dec. 29, 2013	Sep. 29, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 30, 2012	Sep. 30, 2012
	(in thousands, except per share data)							
Net revenues:								
E-commerce								
(telephonic/online)	$148,083	$139,918	$180,095	$ 80,880	$139,109	$ 144,555	$171,774	$ 81,112
Other	39,286	39,673	86,242	42,168	33,854	47,027	79,587	38,480
Total net revenues	187,369	179,591	266,337	123,048	172,963	191,582	251,360	119,592
Cost of revenues	107,513	106,048	155,360	71,751	102,134	111,125	146,879	70,167
Gross Profit	79,856	73,543	110,977	51,297	70,829	80,457	104,481	49,425
Operating expenses:								
Marketing and sales	51,131	51,581	57,656	34,479	48,075	51,439	54,483	32,723
Technology and development	5,756	6,045	5,319	5,398	5,328	5,613	5,363	5,396
General and administrative	12,810	13,865	14,267	13,812	12,016	13,757	13,354	13,061
Depreciation and amortization	5,191	4,932	5,036	4,689	4,992	4,838	4,521	4,447
Total operating expenses	74,888	76,423	82,278	58,378	70,411	75,647	77,721	55,627
Operating income (loss)	4,968	(2,880)	28,699	(7,081)	418	4,810	26,760	(6,202)
Interest (income) expense and other, net	(398)	(249)	(418)	(292)	32	(199)	(538)	(286)
Income (loss) from continuing operations before income taxes	4,570	(3,129)	28,281	(7,373)	450	4,611	26,222	(6,488)
Income tax expense (benefit)	1,813	(1,391)	10,798	(2,816)	(88)	1,491	9,715	(2,045)
Income (loss) from continuing operations	2,757	(1,738)	17,483	(4,557)	538	3,120	16,507	(4,443)
Income (loss) from discontinued operations, net of tax	295	75	(374)	(82)	(749)	(481)	(496)	(163)
Gain (loss) on sale of discontinued operations, net of tax	—	(62)	877	—	(1,512)	—	—	—
Income (loss) from discontinued operations, net of tax	295	13	503	(82)	(2,261)	(481)	(496)	(163)
Net income (loss)	$ 3,052	$ (1,725)	$ 17,986	$ (4,639)	$ (1,723)	$ 2,639	$ 16,011	$ (4,606)
Less: Net loss attributable to noncontrolling interest	(356)	(300)	(41)	—	—	—	—	—
Net income attributable to 1-800-FLOWERS.COM, Inc.	$ 3,408	$ (1,425)	$ 18,027	$ (4,639)	$ (1,723)	$ 2,639	$16,011	$(4,606)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$ 0.05	$ (0.02)	$ 0.27	$ (0.07)	$ 0.01	$ 0.05	$ 0.25	$ (0.07)
From discontinued operations	0.00	0.00	0.01	0.00	(0.04)	(0.01)	(0.01)	0.00
Basic net income per common share	0.05	(0.02)	0.28	(0.07)	(0.03)	0.04	0.25	(0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$ 0.05	$ (0.02)	$ 0.27	$ (0.07)	$ 0.01	$ 0.05	$ 0.25	$ (0.07)
From discontinued operations	0.00	0.00	0.01	0.00	(0.03)	(0.01)	(0.01)	0.00
Diluted net income per common share	0.05	(0.02)	0.27	(0.07)	(0.03)	0.04	0.24	(0.07)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	64,112	64,214	64,016	63,799	63,891	64,256	64,824	64,505
Diluted	66,157	64,214	66,095	63,799	66,620	66,111	66,557	64,505

The Company's quarterly results may experience seasonal fluctuations. Due to the Company's expansion into non-floral products, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, generates the highest proportion of the Company's annual revenues. Additionally, as the result of a number of major floral gifting occasions, including Mother's Day and Administrative Professionals Week, revenues also rise during the Company's fiscal fourth quarter. The Easter Holiday was in the Company's fourth quarter during fiscal 2014, but it was in the third quarter during fiscal 2013, and will fall in the fourth quarter during fiscal 2015. The seasonality of the Company's operations will be further impacted by the planned acquisition of Harry & David.

Consolidated Balance Sheets

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

(in thousands, except share data)

	June 29, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 5,203**	$ 154
Receivables, net	**13,339**	14,957
Inventories	**58,520**	55,756
Deferred tax assets	**5,156**	5,746
Prepaid and other	**9,600**	9,941
Current assets of discontinued operations	**—**	6,095
Total current assets	**91,818**	92,649
Property, plant and equipment, net	**60,147**	52,943
Goodwill	**60,166**	47,943
Other intangibles, net	**44,616**	43,276
Deferred tax assets	**2,002**	2,127
Other assets	**8,820**	10,086
Non-current assets of discontinued operations	**—**	1,049
Total assets	**$267,569**	$250,073
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 24,447**	$ 26,235
Accrued expenses	**49,517**	45,044
Current maturities of long-term debt	**343**	—
Current liabilities of discontinued operations	**—**	4,484
Total current liabilities	**74,307**	75,763
Deferred tax liabilities	**649**	—
Other liabilities	**6,495**	5,039
Total liabilities	**81,451**	80,802
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, 38,119,398 and 36,280,425 shares issued in 2014 and 2013, respectively	**381**	362
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,058,594 and 42,125,465 shares issued in 2014 and 2013, respectively	**420**	421
Additional paid-in capital	**305,510**	298,580
Retained deficit	**(68,565)**	(83,937)
Accumulated other comprehensive loss	**(75)**	—
Treasury stock, at cost, 10,818,437 and 9,257,231 Class A shares in 2014 and 2013, respectively, and 5,280,000 Class B shares in 2014 and 2013	**(54,472)**	(46,155)
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**183,199**	169,271
Noncontrolling interest	**2,919**	—
Total equity	**186,118**	169,271
Total liabilities and equity	**$267,569**	$250,073

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 29, 2014	June 30, 2013	July 1, 2012
Net revenues	**$756,345**	$735,497	$707,517
Cost of revenues	**440,672**	430,305	414,940
Gross profit	**315,673**	305,192	292,577
Operating expenses:			
Marketing and sales	**194,847**	186,720	181,199
Technology and development	**22,518**	21,700	20,426
General and administrative	**54,754**	52,188	51,474
Depreciation and amortization	**19,848**	18,798	19,540
Total operating expenses	**291,967**	279,406	272,639
Gain on sale of stores	**—**	—	3,789
Operating income	**23,706**	25,786	23,727
Interest expense and other, net	**(1,357)**	(991)	(2,635)
Income from continuing operations before income taxes	**22,349**	24,795	21,092
Income tax expense from continuing operations	**8,403**	9,073	7,771
Income from continuing operations	**13,946**	15,722	13,321
Loss from discontinued operations, net of tax	**(86)**	(1,889)	(217)
Gain (loss) on sale of discontinued operations, net of tax	**815**	(1,512)	4,542
Income (loss) from discontinued operations, net of tax	**729**	(3,401)	4,325
Net income	**$ 14,675**	$ 12,321	$ 17,646
Less: Net loss attributable to noncontrolling interest	**(697)**	—	—
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 15,372**	$ 12,321	$ 17,646
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.			
From continuing operations	**$ 0.23**	$ 0.24	$ 0.21
From discontinued operations	**0.01**	(0.05)	0.07
Basic net income per common share	**$ 0.24**	$ 0.19	$ 0.27
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.			
From continuing operations	**$ 0.22**	$ 0.24	$ 0.20
From discontinued operations	**0.01**	(0.05)	0.07
Diluted net income per common share	**$ 0.23**	$ 0.19	$ 0.27
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**64,035**	64,369	64,697
Diluted	**66,460**	66,792	66,239

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

(in thousands)

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
Net income	**$14,675**	$12,231	$17,646
Other comprehensive income (loss)	**(75)**	17	141
Comprehensive income	**14,600**	12,338	17,787
Add: Comprehensive net loss attributable to noncontrolling interest	**(697)**	—	—
Comprehensive income attributable to 1-800-FLOWERS.COM, Inc.	**$15,297**	$12,338	$17,787

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

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

Years ended June 29, 2014, June 30, 2013 and July 1, 2012

(in thousands, except share data)

	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total 1-800-FLOWERS.COM, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
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	$ —	$142,511
Net income	—	—	—	—	—	17,646	—	—	—	17,646	—	17,646
Change in value of cash flow hedge	—	—	—	—	—	—	141	—	—	141	—	141
Stock-based compensation	1,477,894	14	—	—	4,836	—	—	—	—	4,850	—	4,850
Tax asset shortfall from stock-based compensation	—	—	—	—	(123)	—	—	—	—	(123)	—	(123)
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	1,133,913	(3,277)	(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	—	161,748
Net income	—	—	—	—	—	12,321	—	—	—	12,321	—	12,321
Change in value of cash flow hedge	—	—	—	—	—	—	17	—	—	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	—	4,283
Exercise of stock options	191,947	2	—	—	533	—	—	—	—	535	—	535
Tax asset shortfall from stock-based compensation	—	—	—	—	(34)	—	—	—	—	(34)	—	(34)
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	2,490,065	(9,599)	(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	—	169,271
Net income	—	—	—	—	—	15,372	—	—	—	15,372	(697)	14,675
Translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**(75)**	**—**	**—**	**(75)**	**—**	**(75)**
Conversion of Class B stock into Class A stock	**66,871**	**1**	**(66,871)**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock-based compensation	**1,608,052**	**16**	**—**	**—**	**4,648**	**—**	**—**	**—**	**—**	**4,664**	**—**	**4,664**
Exercise of stock options	**164,050**	**2**	**—**	**—**	**525**	**—**	**—**	**—**	**—**	**527**	**—**	**527**
Excess tax benefit from stock-based compensation	**—**	**—**	**—**	**—**	**1,757**	**—**	**—**	**—**	**—**	**1,757**	**—**	**1,757**
Acquisition of Class A treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,561,206**	**(8,317)**	**(8,317)**	**—**	**(8,317)**
Noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,616**	**3,616**
Balance at June 29, 2014	**38,119,398**	**$ 381**	**42,058,594**	**$ 420**	**$ 305,510**	**$ (68,565)**	**$ (75)**	**16,098,437**	**$(54,472)**	**$ 183,199**	**$ 2,919**	**$186,118**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
Operating activities:			
Net income	**$ 14,675**	$ 12,321	$ 17,646
Reconciliation of net income to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**1,587**	(179)	1,435
Loss/(gain) on sale of discontinued operations	**(1,300)**	2,348	(8,683)
Depreciation and amortization	**19,848**	18,798	19,539
Amortization of deferred financing costs	**306**	420	457
Deferred income taxes	**1,454**	(811)	7,790
Bad debt expense	**1,656**	1,085	869
Stock-based compensation	**4,664**	4,283	4,850
Excess tax benefit from stock-based compensation	**(1,837)**	(739)	(273)
Other non-cash items	**755**	483	42
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(1,893)**	(4,108)	(2,135)
Inventories	**(2,564)**	(1,823)	(3,919)
Prepaid and other	**436**	(1,655)	(2,126)
Accounts payable and accrued expenses	**2,660**	4,368	1,694
Other assets	**(262)**	(609)	1,646
Other liabilities	**2,355**	463	947
Net cash provided by operating activities	**42,539**	34,645	39,779
Investing activities:			
Acquisitions, net of cash acquired	**(9,000)**	(3,700)	(4,336)
Proceeds from sale of business	**—**	—	12,823
Capital expenditures	**(22,985)**	(20,044)	(17,180)
Purchase of investments	**8**	(903)	(3,945)
Other, net	**(11)**	117	(119)
Investing activities of discontinued operations	**500**	—	(124)
Net cash used in investing activities	**(31,488)**	(24,530)	(12,881)
Financing activities:			
Acquisition of treasury stock	**(8,317)**	(9,599)	(3,277)
Excess tax benefit from stock based compensation	**1,837**	739	273
Proceeds from exercise of employee stock options	**527**	535	—
Proceeds from bank borrowings	**127,000**	62,000	56,000
Repayment of notes payable and bank borrowings	**(127,052)**	(91,250)	(71,000)
Debt issuance cost	**—**	(1,234)	—
Repayment of capital lease obligations	**—**	(6)	(1,482)
Other	**3**	—	—
Net cash used in financing activities	**(6,002)**	(38,815)	(19,486)
Net change in cash and cash equivalents	**5,049**	(28,700)	7,412
Cash and equivalents:			
Beginning of year	**154**	28,854	21,442
End of year	**$ 5,203**	$ 154	$ 28,854

Supplemental Cash Flow Information:

- Interest paid amounted to $1.0 million, $1.1 million, and $2.2 million, for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively.
- The Company paid income taxes of approximately $7.0 million, $8.3 million and $5.0 million, net of tax refunds received, for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, 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 helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. The 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®, premium chocolates and confections from Fannie May® and Harry London®, gift baskets and towers from 1-800-BASKETS.COM®, incredible, 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 source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday.

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its 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 closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and its e-commerce and procurement businesses as discontinued operations for all periods presented.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2014, 2013 and 2012 consisted of 52 weeks which ended on June 29, 2014, June 30, 2013 and July 1, 2012, respectively.

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

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 assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. 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. 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, 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 \$0.2 million and \$0.5 million at June 29, 2014 and June 30, 2013 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. 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 $3.2 million as of June 29, 2014 and $3.8 million as of June 30, 2013, and is included in Other assets within the consolidated balance sheets. The Company's equity in the net income (loss) of Flores Online for each of the years ended June 29, 2014 and June 30, 2013 was $(0.6) million and $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 $0.8 million as of June 29, 2014 and $2.3 million as of June 30, 2013. In addition, the Company had notes receivable from a company it maintains an investment in of $0.5 million as of June 29, 2014 and $2.3 million as of June 30, 2013. As described in Note 4 "Acquisitions and Dispositions", on December 3, 2013, the Company increased its investment in iFlorist, resulting in a majority ownership interest (56%), through the conversion of notes receivable and the purchase of additional shares from the Company's founders. The acquisition of a majority interest in iFlorist resulted in the consolidation of iFlorist's operations, and the elimination of both the Company's cost-basis investment and notes receivable.

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 ($2.4 million and $2.5 million at June 29, 2014 and June 30, 2013, 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 $83.0 million, $77.9 million and $75.1 million for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, 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 websites, 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 website 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 the Company considers 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.

Recently Adopted Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment," 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. This ASU became effective for annual and interim goodwill impairment tests performed for the Company's fiscal year ending June 29, 2014. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)." ASU No. 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for the Company's fiscal year ending July 3, 2016, and may be applied retrospectively. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This amended guidance will enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Expanded disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. This guidance will be effective for the Company's fiscal year ending July 1, 2018 and may be applied retrospectively. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

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 29, 2014	June 30, 2013	July 1, 2012
	(in thousands, except per share data)		
Numerator:			
Net income from continuing operations	**$13,946**	$15,722	$13,321
Less: Net loss attributable to noncontrolling interest	**(697)**	—	—
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$14,643**	$15,722	$13,321
Denominator:			
Weighted average shares outstanding	**64,035**	64,369	64,697
Effect of dilutive securities:			
Employee stock options (1)	**1,083**	786	40
Employee restricted stock awards	**1,342**	1,637	1,502
	2,425	2,423	1,542
Adjusted weighted-average shares and assumed conversions	**66,460**	66,792	66,239
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.23**	$ 0.24	$ 0.21
Diluted	**$ 0.22**	$ 0.24	$ 0.20

Note (1): The effect of options to purchase 1.2 million, 2.0 million and 5.5 million shares for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, 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 Fannie May retail stores

On June 27, 2014, the Company and GB Chocolates LLC (GB Chocolates) entered into a settlement agreement, resulting in the termination of the GB Chocolates franchise agreement, and its exclusive area development rights. As a result, the Company recognized the previously deferred non-refundable area development fees of $0.7 million. In addition, per the terms of the non-performance Promissory Note, GB Chocolates paid $1.2 million as a result of its failure to complete its development obligations under the 2011 Area Development Agreement (the 2011 ADA). As a result, during the fourth quarter of fiscal 2014, the Company recognized revenue of $1.0 million ($0.2 million had been previously recognized). The Company has no plans to market the territories covered in the 2011 ADA.

In conjunction with the settlement agreement, the Company and GB Chocolates entered into an asset purchase agreement whereby the Company repurchased 16 of the original 17 Fannie May retail stores sold to GB Chocolates in November 2011. The acquisition was accounted for using the purchase method of accounting in accordance with FASB guidance regarding business combinations. The purchase price of $6.4 million was financed utilizing available cash balances.

The purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our preliminary estimates of their fair values on the acquisition date. The Company is in the process of finalizing its allocation and this may result in potential adjustments to the carrying value of the respective recorded assets and liabilities, establishment of certain additional intangible assets, and the determination of any residual amount that will be allocated to goodwill. The goodwill resulting from this acquisition amounted to $5.8 million, which is expected to be deductible for tax purposes.

	Preliminary Purchase Price Allocation
	(in thousands)
Current Assets	$ 103
Property, plant and equipment	487
Goodwill	5,783
Net assets acquired	$6,373

Operating results of the acquired stores are reflected in the Company's consolidated financial statements from the date of acquisition, within the Gourmet Food & Gift Baskets segment. Pro forma results of operations have not been presented, as the impact on the Company's consolidated financial results would not have been material.

Acquisition of Colonial Gifts Limited

On December 3, 2013, the Company completed its acquisition of a controlling interest in Colonial Gifts Limited (iFlorist). iFlorist, located in the UK, is a direct-to-consumer marketer of floral and gift-related products sold and delivered throughout Europe. The acquisition was achieved in stages and was accounted for using the acquisition method of accounting in accordance with the Financial Accounting Standards Board's ("FASB") guidance regarding business combinations.

Prior to December 3, 2013, the Company maintained an investment in iFlorist in the amount of $1.6 million, which was included on the Company's balance sheet within Other assets. This investment was accounted for under the cost method, as the Company's ownership stake was 19.9%, and it did not have the ability to exercise significant influence.

On December 3, 2013, the Company acquired an additional interest in iFlorist, bringing the Company's ownership interest to 56.2%. The acquisition of the additional interest was financed through the conversion of $1.9 million of notes owed by iFlorist to the Company, and a $1.6 million cash payment to iFlorist's founders. Concurrent with the additional investment, the Company remeasured its initial equity investment in iFlorist, and determined that the acquisition date fair value approximated the Company's carrying value of $1.6 million, and therefore no gain or loss was recognized. On the acquisition date, the Company also measured the fair value of the noncontrolling interest which amounted to $3.6 million. The acquisition-date fair values of the Company's previously held equity interest in iFlorist and the noncontrolling interest were determined based on the market price the Company paid for its ownership interest in iFlorist on the acquisition date, assuming that a 20% control premium was paid to obtain the controlling interest. The following summarizes the fair values of the acquisition date purchase price components:

	iFlorist Fair Value of Purchase Price Components
	(in thousands)
Cash	$1,640
Converted debt	1,964
Initial equity investment	1,629
Noncontrolling interest	3,616
Total purchase price	$8,849

The total purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our preliminary estimates of their fair values on the acquisition date. The Company is in the process of finalizing its allocation and this may result in potential adjustments to the carrying value of the respective recorded assets and liabilities, establishment of certain additional intangible assets, revisions of useful lives of intangible assets, and the determination of any residual amount that will be allocated to goodwill. Of the acquired intangible assets, $1.3 million was assigned to customer lists, which is being amortized over the estimated remaining life of 3 years, $1.9 million was assigned to trademarks, and $6.5 million was assigned to goodwill, which is not expected to be deductible for tax purposes. As a result of cumulative tax losses in the foreign jurisdiction, offset in part by the deferred tax liability arising from the amortizable customer list which was considered a source of future income, the Company concluded that a full valuation allowance be recorded in such jurisdiction.

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

	iFlorist Preliminary Purchase Price Allocation
	(in thousands)
Current assets	$ 856
Intangible assets	3,177
Goodwill	6,537
Property, plant and equipment	2,006
Other assets	30
Total assets acquired	12,606
Current liabilities, including current maturities of long-term debt	3,014
Deferred tax liabilities	648
Other liabiliaties assumed	95
	3,757
Net assets acquired	$8,849

Operating results of the Company's membership interest in iFlorist are reflected in the Company's consolidated financial statements from the date of acquisition, essentially all of which is in the 1-800-Flowers.com Consumer Floral segment. Pro forma results of operations have not been presented, as the impact on the Company's consolidated financial results would not have been material.

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 $1.6 million. Approximately $0.4 million of the 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 1-800-Flowers.com 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 Company has paid $3.0 million of the $4.0 million purchase price, and is required to make a final payment of $1.0 million on March 11, 2015, the balance of which is included on the balance sheet within Accrued Expenses.

Sale and franchise of Fannie May retail stores

On November 21, 2011, the Company and 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 the 2011 ADA whereby GB Chocolates agreed to open a minimum of 45 new Fannie May franchise stores. The agreement provided exclusive development rights for several Midwestern states, as well as specific cities in Florida and Ohio. The terms of the 2011 ADA included 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 became due and payable only if GB Chocolates did not open all 45 stores as set forth in the 2011 ADA. As of June 30, 2013, the Company had 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 at that time (a total of 10 stores were ultimately opened). In addition, through June 30, 2013, the Company had recognized approximately $0.2 million, of the $1.2 million Non-Performance Promissory Note, based upon its assessment of the likelihood that the performance criteria under the agreement would be achieved.

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. 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:

	June 29, 2014	June 30, 2013
	(in thousands)	
Finished goods	**$30,859**	$30,906
Work-in-process	**8,566**	6,465
Raw materials	**19,095**	18,385
	$58,520	$55,756

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 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
Acquisition of Fannie May franchise stores	—	—	5,783	5,783
Adjustments	(97)	—	—	(97)
Acquisition of iFlorist	6,537	—	—	6,537
Balance at June 29, 2014	**$ 16,691**	**$ —**	**$ 43,475**	**$ 60,166**

(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 29, 2014			June 30, 2013		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	(years)			(in thousands)			
Intangible assets with determinable lives:							
Investment in licenses	**14-16**	**$ 7,420**	**$ 5,621**	**$ 1,799**	$ 7,420	$ 5,516	$ 1,904
Customer lists	**3-10**	**17,313**	**12,818**	**4,495**	15,989	11,334	4,655
Other	**5-8**	**2,538**	**2,538**	**—**	2,538	2,513	25
		27,271	**20,977**	**6,294**	25,947	19,363	6,584
Trademarks with indefinite lives	**—**	**38,322**	**—**	**38,322**	36,692	—	36,692
Total intangible assets		**$65,593**	**$20,977**	**$44,616**	$62,639	$19,363	$43,276

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 29, 2014, the Company wrote-down the value of its Fine Stationery tradename from $0.7 million to $0.5 million, and 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 29, 2014, June 30, 2013 and July 1, 2012 was $1.6 million, $1.8 million and $1.8 million, respectively. Future estimated amortization expense is as follows: 2015 - $1.8 million, 2016 - $1.7 million, 2017 - $0.9 million, 2018 – $0.6 million, 2019 - $0.1million, and thereafter - $1.2 million.

Note 7. Property, Plant and Equipment

	June 29, 2014	June 30, 2013
	(in thousands)	
Land	**$ 2,907**	$ 2,907
Building and building improvements	**12,551**	9,807
Leasehold improvements	**18,504**	17,566
Furniture and fixtures	**4,737**	4,903
Production equipment	**35,845**	31,798
Computer equipment	**53,368**	57,879
Telecommunication equipment	**4,120**	8,204
Software	**136,226**	122,459
	268,258	255,523
Accumulated depreciation and amortization	**208,111**	202,580
	$ 60,147	$ 52,943

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	June 29, 2014	June 30, 2013
	(in thousands)	
Payroll and employee benefits	**$ 22,601**	$ 19,859
Advertising and marketing	**11,803**	9,107
Other	**15,113**	16,078
	$ 49,517	$ 45,044

Note 9. Long-Term Debt

	June 29, 2014	June 30, 2013
	(in thousands)	
Revolving line of credit (1)	$ —	$ —
Bank loan (2)	343	—
	343	—
Less current maturities of long-term debt obligations	343	—
	$ —	$ —

(1) On April 10, 2013, the Company repaid all amounts outstanding under its 2010 Credit Facility, and 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 revised certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 29, 2014 and June 30, 2013. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, 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 are secured by liens on all personal property of the Company and its domestic subsidiaries.

(2) Bank loan assumed through the Company's acquisition of a majority interest in iFlorist.

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. 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 definite lived 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 tested for impairment annually, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist, 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 29, 2014:

	Carrying Value	Fair Value Measurements Assets (Liabilities) Level 1	Level 2	Level 3
		(in thousands)		
Assets (liabilities):				
Trading securities held in a "rabbi trust" (1)	$2,146	$2,146	$ —	$ —
	$2,146	$2,146	$ —	$ —

(1) Trading securities held in a rabbi trust are measured using quoted market prices at the reporting date and are included in Other assets, with the corresponding liability includes in Other liabilities, 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.

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:

	Carrying Value	Fair Value Measurements Assets (Liabilities) 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, with the corresponding liability includes in Other liabilities, 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.

Note 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company concluded its federal examination by the Internal Revenue Service for fiscal year 2011, however, fiscal years 2012 and 2013 remain subject to federal examination. Due to ongoing state examinations and 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 29, 2014, the Company has an unrecognized tax position of approximately $0.5 million, including accrued interest and penalties of $0.1 million. The Company believes that no additional significant 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 29, 2014	June 30, 2013	July 1, 2012
	(in thousands)		
Current provision (benefit):			
Federal	**$ 6,439**	$ 7,983	$ (1,643)
State	**1,247**	1,845	1,155
Foreign	**11**	—	—
	7,697	9,828	(488)
Deferred provision (benefit):			
Federal	**773**	(730)	8,479
State	**28**	(25)	(220)
Foreign	**(95)**	—	—
	706	(755)	8,259
Income tax expense	**$ 8,403**	$ 9,073	$ 7,771

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

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**3.7**	3.3	4.0
Non-deductible stock-based compensation	**—**	—	0.6
Non-deductible goodwill amortization	**—**	—	1.7
Rate differences	**1.2**	(0.3)	(1.1)
Tax credits	**(1.7)**	(1.2)	(1.2)
Tax settlements	**(1.0)**	1.1	—
Other, net	**0.4**	(1.3)	(2.2)
	37.6%	36.6%	36.8%

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 29, 2014	June 30, 2013
	(in thousands)	
Deferred income tax assets:		
Net operating loss and credit carryforwards	**$4,342**	$ 3,230
Accrued expenses and reserves	**6,178**	5,848
Stock-based compensation	**3,420**	3,266
Book in excess of tax depreciation	**1,322**	1,055
Gross deferred income tax assets	**15,262**	13,399
Less: Valuation allowance	**(2,241)**	(1,477)
	13,021	11,922
Deferred income tax liabilities:		
Other intangibles	**(6,512)**	(4,049)
Tax in excess of book depreciation	**—**	—
	(6,512)	(4,049)
Net deferred income tax assets	**$6,509**	$ 7,873

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 and its United Kingdom subsidiary. At June 29, 2014 the Company's federal and foreign net operating loss carryforwards were $2.8 million and $5.1 million respectively, while the tax effected state net operating loss was $3.3 million, before federal benefit, which if not utilized, will begin to expire in fiscal year 2025, indefinitely, and 2015, respectively. The federal net operating loss of $2.8 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 $8.3 million (1,561,206 shares), $9.6 million (2,490,065 shares) and $3.3 million (1,133,913 shares) during the fiscal years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively, under this program. As of June 29, 2014, $10.6 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"). 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"). At June 29, 2014, the Company has reserved approximately $14.5 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 29, 2014	June 30, 2013	July 1, 2012
	(in thousands, except per share data)		
Stock options	**$ 420**	$ 477	$1,073
Restricted stock awards	**4,244**	3,806	3,777
Total	**4,664**	4,283	4,850
Deferred income tax benefit	**1,738**	1,555	1,796
Stock-based compensation expense, net	**$2,926**	$2,728	$3,054

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

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
	(in thousands)		
Marketing and sales	**$1,261**	$1,499	$1,755
Technology and development	**298**	428	600
General and administrative	**3,105**	2,356	2,495
Total	**$4,664**	$4,283	$4,850

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 29, 2014	June 30, 2013	July 1, 2012
Weighted average fair value of options granted	**$3.16**	$2.95	$1.84
Expected volatility	**61%**	72%	72%
Expected life (in years)	**6.6**	6.4	8.0
Risk-free interest rate	**1.6%**	0.7%	0.9%
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 29, 2014:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	4,723,240	$ 3.89		
Granted	25,000	$ 5.39		
Exercised	(164,050)	$ 3.02		
Forfeited/Expired	(244,400)	$ 6.34		
Outstanding end of period	4,339,790	$ 3.80	4.2 years	$10,188
Options vested or expected to vest at end of period	4,232,111	$ 3.83	4.2 years	$ 9,827
Exercisable at June 29, 2014	2,886,790	$ 4.52	2.8 years	$ 5,269

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 2014 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 29, 2014. 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 29, 2014, June 30, 2013 and July 1, 2012 was $0.4 million, $0.6 million, and $0.0 million, respectively.

The following table summarizes information about stock options outstanding at June 29, 2014:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 1.69 - 1.79	1,013,500	6.3	$ 1.79	382,500	$ 1.79
$ 2.01 - 2.63	1,054,900	7.3	$ 2.62	296,400	$ 2.62
$ 2.87 - 3.11	1,041,303	2.0	$ 3.10	1,029,803	$ 3.10
$ 3.26 - 6.52	650,234	2.4	$ 6.11	598,234	$ 6.08
$ 6.90 - 9.95	579,853	1.0	$ 8.09	579,853	$ 8.09
	4,339,790	4.2	$ 3.80	2,886,790	$ 4.52

As of June 29, 2014, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was $1.9 million and the weighted average period over which these awards are expected to be recognized was 4.8 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 29, 2014:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	3,433,355	$ 2.80
Granted	1,760,918	$ 5.09
Vested	(1,608,052)	$ 2.50
Forfeited	(899,536)	$ 4.52
Non-vested - end of period	2,686,685	$ 3.90

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of June 29, 2014, there was $6.8 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.8 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 2014, 2013 and 2012.

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 29, 2014 and June 30, 2013, these plan liabilities, which are included in Other liabilities within the Company's Consolidated Balance Sheet, totaled $2.1 million and $1.7 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 29, 2014, 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 2014, 2013 and 2012, are included in Interest expense and other, net, within the Company's Consolidated Statements of Income.

Note 15. Business Segments

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

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

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 29, 2014	June 30, 2013	July 1, 2012
	(in thousands)		
Net revenues:			
1-800-Flowers.com Consumer Floral	**$421,336**	$411,526	$398,184
BloomNet Wire Service	**84,199**	81,822	82,582
Gourmet Food & Gift Baskets	**251,990**	243,225	228,002
Corporate	**797**	789	773
Intercompany eliminations	**(1,977)**	(1,865)	(2,024)
Total net revenues	**$756,345**	$735,497	$707,517

Operating Income from Continuing Operations

	Years Ended		
	June 29, 2014	June 30, 2013	July 1, 2012
	(in thousands)		
Segment Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$40,252**	$ 47,193	$ 39,147
BloomNet Wire Service	**26,715**	25,611	22,339
Gourmet Food & Gift Baskets (2)	**27,122**	20,345	30,193
Segment Contribution Margin Subtotal	**94,089**	93,149	91,679
Corporate (1)	**(50,535)**	(48,565)	(48,412)
Depreciation and amortization	**(19,848)**	(18,798)	(19,540)
Operating income	**$23,706**	$ 25,786	$ 23,727

(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 were 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). The Company has classified the results of its e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented. 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 closed on the sale of its e-commerce and procurement businesses on December 31, 2013. The Company had originally estimated a loss of $2.3 million ($1.5 million, net of tax), which was provided for during the fourth quarter of fiscal 2013, but the loss was reduced to $1.0 million, upon finalization of terms and closing on the sale. As a result, the Company reversed $1.3 million ($0.8 million, net of tax) of its accrual for the estimated loss during the fiscal year ended June 29, 2014. 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 29, 2014	June 30, 2013	July 1, 2012
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ 1,669**	$ 5,154	$10,743
Loss from discontinued operations, net of tax	**$ (86)**	$ (1,889)	$ (217)
Gain (loss) on sale of discontinued operations, net of tax	**$ 815**	$ (1,512)	$ 4,542
Income (loss) from discontinued operations	**$ 729**	$ (3,401)	$ 4,325

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 29, 2014 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	$14,141
2015	13,332
2016	12,422
2017	9,954
2018	6,880
Thereafter	16,793
Total minimum lease payments	$73,522

At June 29, 2014, the aggregate future sublease rental income under long-term operating sub-leases for land and buildings and the corresponding rental expense under long-term operating leases were as follows:

	Sublease Income	Sublease Expense
	(in thousands)	
2014	$ 740	$ 740
2015	677	677
2016	561	561
2017	310	310
2018	278	278
Thereafter	1,055	1,055
	$3,621	$3,621

Rent expense was approximately $17.7 million, $17.7 million and $17.4 million for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively.

Other Commitments

The Company's purchase commitments consist primarily of inventory, equipment and technology purchase orders made in the ordinary course of business, most of which have terms less than one year. As of June 29, 2014, the Company had fixed and determinable off-balance sheet purchase commitments with remaining terms in excess of one year of approximately $2.4 million, primarily related to the Company's technology infrastructure.

The Company had approximately $1.7 million in unused stand-by letters of credit as of June 29, 2014.

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 ("CUTPA") 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.

On March 28, 2014, the Court issued a series of rulings disposing of all the pending motions in both the Consolidated Action and the Frank Action. Among other things, the Court dismissed several causes of action, leaving pending a claim for CUTPA violations stemming from Trilegiant's refund mitigation strategy and a claim for unjust enrichment. Thereafter, the Court consolidated the Frank case into the Consolidated Action. On April 28, 2014 Plaintiffs moved for leave to appeal the various rulings against them to the United States Court of Appeals for the Second Circuit and to have a partial final judgment entered dismissing those claims that the Court had ordered dismissed. The Court has not yet ruled on this new motion. The Company has filed its answer to the complaint on May 12, 2014.

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.

Note 18. Subsequent Event – Pending Acquisition of Harry & David

On August 30, 2014, the Company entered into a definitive agreement to acquire Harry & David Holdings, Inc (Harry & David), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman's® and Cushman's® brands. The anticipated transaction, at a purchase price of $142.5 million, includes the Harry & David's brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 47 Harry & David retail stores located throughout the country. Harry & David's revenues were approximately $380 million in its fiscal 2013. 1-800-FLOWERS.COM, Inc. has secured committed funding for the acquisition from JP Morgan Chase and Wells Fargo Bank. The acquisition is expected to close in October 2014, subject to the satisfaction of customary closing conditions, including regulatory approval.

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 sheet of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 29, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended. In connection with our audit of the financial statements, we have also audited the financial statement schedule for the year ended June 29, 2014, listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at June 29, 2014, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein for the year ended June 29, 2014.

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 29, 2014 based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 12, 2014 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, NY
September 12, 2014

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 the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a) for the two years ended June 30, 2013. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 the consolidated results of their operations and their cash flows for each of the two years in the period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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 29, 2014.

The Company's independent registered public accounting firm, BDO USA, LLP, audited the effectiveness of the Company's internal control over financial reporting as of June 29, 2014. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of June 29, 2014 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 29, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 29, 2014, 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 sheet of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 29, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended and our report dated September 12, 2014 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, NY
September 12, 2014

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 29, 2014 and June 30, 2013.

	High	Low
Year ended June 29, 2014		
July 1, 2013 – September 29, 2013	$ 7.17	$ 5.15
September 30, 2013 – December 29, 2013	$ 5.75	$ 4.53
December 30, 2013 – March 30, 2014	$ 5.88	$ 4.65
March 31, 2014 – June 29, 2014	$ 5.95	$ 4.97
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

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 August 29, 2014, there were approximately 263 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 August 29, 2014, 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.

Purchases of Equity Securities by the Issuer

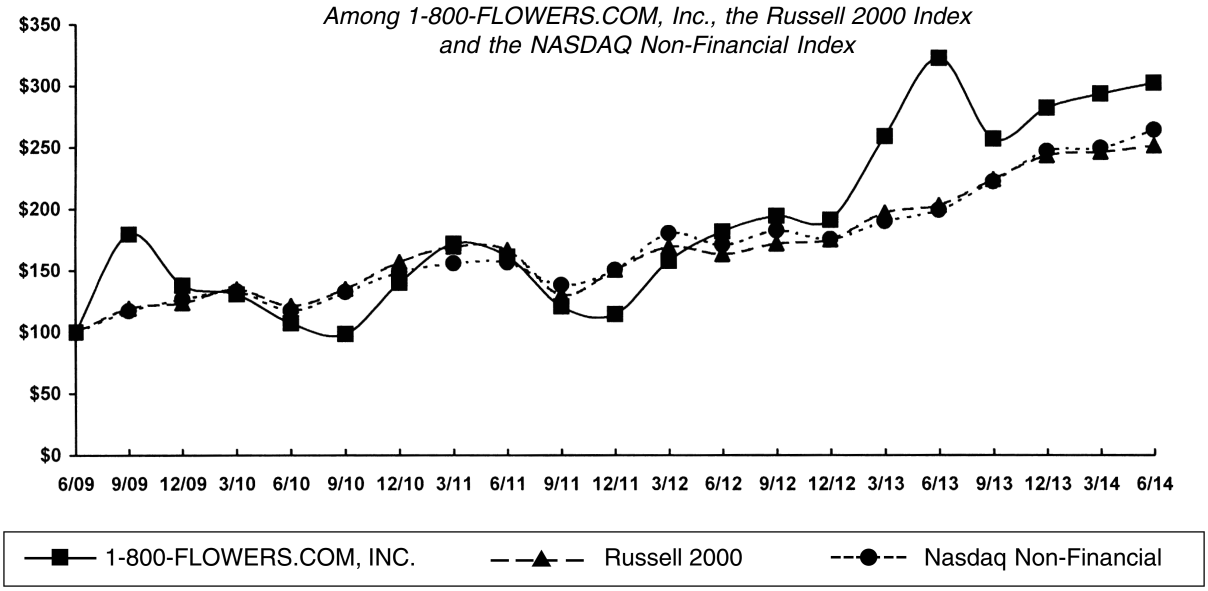
The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In March 2013, the Company's Board of Directors authorized an increase of $20 million to its stock repurchase plan. The Company repurchased a total of $8.3 million (1,561,206 shares), $9.6 million (2,490,065 shares) and $3.3 million (1,133,913 shares) during the fiscal years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively, under this program. As of June 29, 2014, $10.6 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 29, 2014, which includes the period July 1, 2013 through June 29, 2014:

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)
	(in thousands, except average price paid per share)			
7/01/13 - 7/28/13	10.0	$5.97	10.0	$18,889
7/29/13 - 8/25/13	0.5	$5.99	0.5	$18,886
8/26/13 - 9/29/13	301.4	$5.38	301.4	$17,253
9/30/13 - 10/27/13	393.6	$5.43	393.6	$15,111
10/28/13 - 11/24/13	420.7	$5.11	420.6	$12,959
11/25/13 - 12/29/13	106.2	$5.04	106.2	$12,419
12/30/13 - 1/26/14	82.7	$5.16	82.7	$11,989
1/27/14 - 2/23/14	38.3	$5.01	38.3	$11,797
2/24/14 - 3/30/14	48.5	$5.55	48.5	$11,526
3/31/14 - 4/27/14	93.1	$5.58	93.1	$11,005
4/28/14 - 5/25/14	19.4	$5.54	19.4	$10,899
5/26/14 - 6/29/14	46.9	$5.56	46.9	$10,632
Total	1,561.2	$5.31	1,561.2	

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

*Comparison of 5 Year Cumulative Total Return**



*$100 invested on 6/30/09 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

1·800·FLOWERS.COM, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's current expectations or beliefs 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," 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, among others: the Company's ability to achieve its guidance for revenue, Adjusted EBITDA and Adjusted EPS; its ability to manage the significantly increased seasonality of its business; its ability to integrate the operations of acquired companies, including Harry & David; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, including EBITDA and Free Cash Flow, among others, 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

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(718) 921-8200

Independent Auditors
BDO USA, LLP
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Suite 201
Melville, NY 11747
(631) 501-9600

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

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