1·800·FLOWERS.COM, INC.

2015 Annual Report

Multi-Brand, Omni-Channel Gift Leader

Driving Growth

ABOUT 1-800-FLOWERS.COM, INC.

1-800-FLOWERS.COM, Inc. is the leading provider of gourmet and floral gifts for all occasions. For nearly 40 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, 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® (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from Fruit Bouquets by 1800Flowers.com℠ (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com). 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. As always, our 100% Smile Guarantee® backs every gift. 1-800-FLOWERS.COM was named a winner of the 2015 "Best Companies to Work for in New York State" award by The New York Society for Human Resource Management (NYS-SHRM). 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. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

1-800-FLOWERS.COM's acquisition of Harry & David in September 2014 combined the foremost brands in gourmet food and floral gifting to create a leading multi-brand, omni-channel provider of gifts that resonate with customers and help them deliver smiles for every occasion. In January 2015, the Company launched its integration efforts, strategically merging Harry & David's premium quality fruit, gourmet food products and other gifts with the growing family of 1-800-FLOWERS.COM gifting brands – optimizing operating synergies and creating significant revenue growth opportunities.

FINANCIAL HIGHLIGHTS

(From Continuing Operations)

	JUNE 28, 2015	JUNE 29, 2014	JUNE 30, 2013	JULY 1, 2012	JULY 3, 2011
	(in millions, except percentages and per share data)				
Total Net Revenues	$1,121.5	$756.3	$735.5	$707.5	$661.4
Gross Profit Margin	43.4%	41.7%	41.5%	41.4%	41.6%
Operating Expense Ratio	40.1%	38.6%	38.0%	38.5%	39.5%
Adjusted EBITDA[1]	$ 80.5[2, 3]	$ 48.2	$ 48.9	$ 44.3[4]	$ 38.3
Adjusted EPS	$ 0.33[2, 3]	$ 0.22	$ 0.24	$ 0.20	$ 0.10

(1) Excluding stock-based compensation.

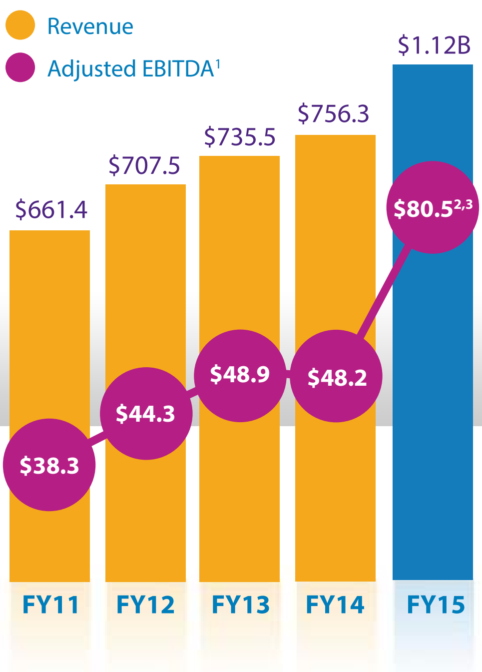
(2) Pro forma for comparability: Includes Harry & David's fiscal 2015 first quarter loss in order to present comparable full-year results: Fiscal 2015 Adjusted EBITDA as reported was $95.3MM and fiscal 2015 Adjusted EPS as reported was $0.51.

(3) Adjusted EBITDA and Adjusted EPS for fiscal 2015 exclude one-time costs associated with the acquisition and integration of Harry & David and the impact of the Fannie May warehouse fire in November 2014.

(4) Fiscal 2012 EBITDA was adjusted to exclude a gain on the sale of Fannie May stores.

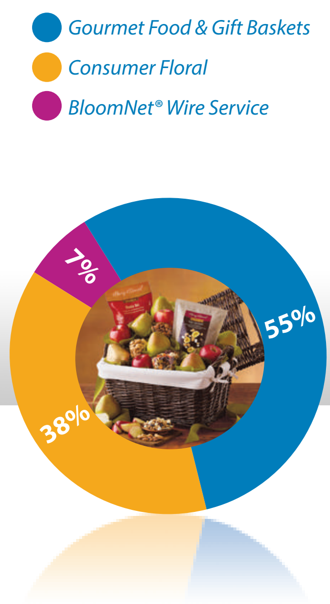
TOTAL REVENUES

(From Continuing Operations)
(In Millions)

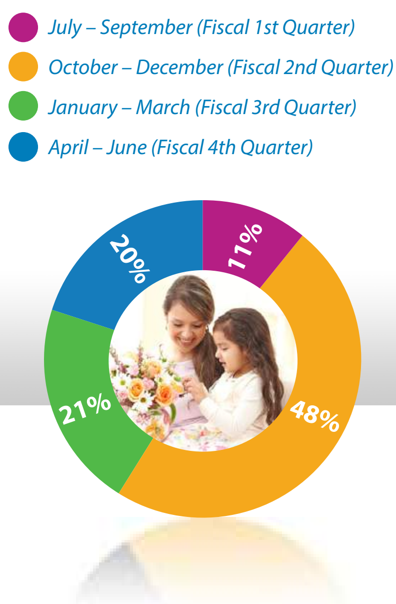


FY15 % REVENUES

by Category



by Season



FINANCIAL REPORT INSERT

See inside rear cover pocket

FISCAL 2015 ACHIEVEMENTS

- Acquired Harry & David, adding the iconic Harry & David®, Wolferman's®, Moose Munch® and Cushman's® brands
- Grew revenue 48.3% to $1.12B
- Adjusted reported EBITDA $95.3 Million (pro forma $80.5MM)
- Adjusted reported EPS $0.51 (pro forma $0.33)

TO OUR SHAREHOLDERS

Fiscal 2015 was a very exciting year for our company. First, and foremost, during the year we added the iconic Harry & David brand – along with Wolferman's, Moose Munch and Cushman's – to our growing family of great gifting brands.

When we closed on the acquisition on September 30, 2014, we reported that we expected it to be highly accretive, even before any operating synergies – and, indeed, it has proven to be even better than we expected, helping drive our fiscal 2015 revenues past $1.12 billion and significantly increasing our EBITDA, EPS and Free Cash Flow. Moreover, it has helped extend our position as a leading, omni-channel provider of top-quality gifts that resonate with our customers for an expanding range of their celebratory occasions.

BECOMING A GOURMET FOOD AND GIFT BASKET LEADER

Adding Harry & David to our growing family of brands both *illustrates* and *accelerates* our strategy to leverage the leadership position we built with 1-800-FLOWERS.COM in the floral gifting category – along with the relationships we have with our millions of customers – to create what is fast becoming a leading position in the Gourmet Foods and Gift Baskets category.

With the addition of Harry & David's brands to our growing family of gourmet food gift brands – including Fannie May chocolates, Cheryl's bakery gifts, The Popcorn Factory, and 1-800-Baskets.com, among others, we now have an annual revenue run rate in this segment of more than $650 million. We see significant growth opportunities in this area and we are confident and committed to building a billion dollar position in this area through a combination of solid organic growth and additional accretive acquisitions in what is a highly fragmented $30+ billion market.

CAPTURING SYNERGIES

When we launched the integration for Harry & David back in January of 2015 we designed the program to look at how we can enhance all aspects of our business across the enterprise. As a result of this approach, the various work streams that we created – from marketing and merchandising to manufacturing, distribution, finance, human resources, and more – have all done an excellent job of identifying opportunities for both operating efficiencies and revenue growth drivers across our brands. Throughout the year, we made excellent progress toward identifying and going after the $15 million in cost synergies that we have targeted for the next three years. We have also begun to focus on synergistic revenue opportunities in areas such as:

▲ **Our combined customer database** – where we have a tremendous amount of customer data and new software tools that can help us extract and use that data to enhance the relevancy of our marketing messages so that we can deepen our customer relationships;

▲ **Our Omni-Channel reach** – where we can leverage our wholesale account relationships along with our manufacturing capabilities to increase brand awareness and absorb operating expenses while growing sales of Harry & David, Moose Munch and Wolferman's – brands and products that our mass channel customer are asking for;

▲ **And our multi-brand website** – where we are creating a one-stop gift shop featuring all of our brands with a single shopping cart, a single address book, our Celebrations Rewards® and Reminders programs and the Celebrations Passport® free shipping program – all designed to take the friction out of our customer's gifting experience.

While we have only scratched the surface in terms of the growth and operating synergy opportunities we see, through the second half of fiscal 2015 and the first quarter of 2016, we achieved enhanced year-over-year revenue growth in the Harry & David business while significantly reducing their seasonal operating losses. We did this by leveraging our marketing and merchandising programs as well as our shared services platform, including our IT, human resources, finance and sourcing. These efforts, driven by the very talented teams that we have assembled across the enterprise, are doing an excellent job of continually identifying and aggressively pursuing growth and operating synergies in all areas of our operations.

FANNIE MAY FIRE RECOVERY – *STRONGER THAN EVER*

While fiscal 2015 was indeed exciting, some of that excitement was also very challenging. During our second quarter, on Thanksgiving Day 2014, we were faced with what could have been a catastrophic fire at our Fannie May warehouse and distribution facility in Maple Heights, Ohio. Fortunately, no one was injured in the fire. However, the disruption to our business was significant since more than $30 million worth of Fannie May chocolates and other products and packaging that had been built for the year-end and spring holiday seasons literally went up in smoke. We are proud to report that the Fannie May team, with help from across our entire enterprise, responded to this challenge in exemplary fashion – overcoming the loss of a key distribution center and extremely limited inventory to deliver solid performance for the year. Since that time, inventories have been rebuilt, stores have been re-stocked, the temporary warehouse and distribution center that we moved into is operating well and the Maple Heights location is being rebuilt for us to move back into after the calendar 2015 holiday season. Our comprehensive business insurance provided full coverage for the financial impact of the fire with final settlement on our claims totaling $55 million ($30 million received during fiscal 2015 and a final $25 million received during the first half of fiscal 2016.)

In addition to the excitement at Fannie May, during fiscal 2015 our Gourmet Foods and Gift Baskets category benefited from the continued strong performance of our Cheryl's bakery gifts brand where customer demand for Cheryl's signature frosted cookies and brownies continues to grow at a rapid rate. We also benefited from enhanced performance in our omni-channel 1-800-Baskets business. Here we are leveraging our unique design and confection capabilities and see growing opportunities for cross brand merchandising in our mass market channels, particularly for our new Harry & David brands, including Moose Munch, Wolferman's and Cushman's.

1-800-FLOWERS.COM DRIVING IMPROVED CONTRIBUTION MARGIN

On the floral side of our business, 1-800-Flowers.com continued to extend its market leading position in fiscal 2015, driving increased bottom-line contributions in each quarter of the year. This was achieved despite the revenue headwind associated with the Saturday placement of the important Valentine holiday. With more than forty years of experience as a leader in floral gifting, we know that a weekend day placement for the Valentine holiday impacts demand due to a number of factors, including recipients not being in their offices where they typically prefer to receive their floral gifts so that they can share the experience with their co-workers and a broader range of alternatives for senders such as breakfast in bed, a dinner date or a trip to the mall. With Valentine's Day falling on a Sunday in fiscal 2016, we expect a similar headwind in our fiscal third quarter and we are planning our marketing and merchandising programs accordingly. Fortunately, Valentine's Day leaps to a Tuesday in fiscal 2017, followed by strong Wednesday, Thursday and Friday placements in the years following.

BLOOMNET: INNOVATION = MARKET SHARE GAINS

During fiscal 2015 BloomNet further expanded its market position versus the legacy wire service competitors, achieving solid top-line growth and strong bottom-line growth for the year. BloomNet is leveraging its position as the leading innovator in the floral industry to build on these growth trends through such industry firsts as its exclusive tablet-based store management system. The new BMS (Business Management System) system includes a number of new enhancements, such as: direct integration with QuickBooks® accounting software as well as a variety of payment systems; an integrated employee time-card and an advanced inventory management system. Also during fiscal 2015, BloomNet introduced a new incentive program designed to stimulate florist-to-florist order sending and a next-generation website solution for florists incorporating such features as custom-designed and mobile enabled product pages along with programs to enhance SEO rankings for florist sites.

We believe BloomNet is well positioned to continue its top and bottom-line growth trends by leveraging our better value proposition for florists and our innovative suite of products and services.

STRONG BALANCE SHEET PROVIDES FLEXIBILITY FOR GROWTH

We finished the year with a strong balance sheet including a low debt ratio and growing cash flows. At year end, we had term debt of $132.1 million and cash and equivalents of $27.9 million. During the year, we used approximately $8.4 million in cash buying back approximately 1.1 million shares of our stock. To continue our focus on returning value to our shareholders, late in the year we received a new $25 million authorization from our Board of Directors to continue our stock repurchase program in fiscal 2016 and beyond.

In terms of capital expenses, for fiscal 2015 we spent approximately $32 million including capital investments made as part of our Harry & David integration process. We anticipate CapEx for fiscal '16 will remain at approximately $32 million as we invest behind initiatives underway to leverage our combined business platform to drive both operating cost reductions and revenue growth synergies. Combined with our credit facility, we have significant flexibility to grow our business both organically as well as through strategic acquisitions and enhance long-term shareholder value.

GROWTH GUIDANCE:

For fiscal 2016, we expect to achieve consolidated revenue growth for the year in a range of five-to-seven percent, based off of $1.12 billion reported for fiscal 2015. In terms of our bottom-line results, we expect to grow EBITDA approximately 10% and EPS in excess of 20 percent, based off of pro forma fiscal 2015 Adjusted EBITDA of $80.5 million and pro forma fiscal 2015 Adjusted EPS of $0.33 per fully diluted share. In addition, we expect to generate approximately $35 million of Free Cash Flow in fiscal 2016.

In conclusion, fiscal 2015 was indeed, very exciting:

- We acquired Harry & David and grew our revenues north of $1.1 billion while delivering strong bottom line results.
- We launched an enterprise-wide integration program that is already delivering benefits and where we are continuing to identify additional opportunities.
- Our Fannie May business literally survived a *trial-by-fire* and emerged stronger than ever – poised to accelerate its growth and deliver strong contributions.
- We completed the expansion of our Cheryl's bakery facility, expanding our production capacity to keep pace with continued strong customer demand.
- We further extended 1-800-Flowers.com's leadership position in the consumer floral space and grew BloomNet's market position – delivering top-line growth and strong bottom line contributions in both areas.
- And we continued to innovate and invest for the future, in
  - our multi-brand website,
  - our industry-leading Mobile and Social commerce initiatives,
  - and in our operations – from the Harry & David orchards to our distribution and fulfillment platform.

As we look ahead, we are more excited than ever by the opportunities we see to drive increased top and bottom line results. We will grow our revenues both organically and through strategic acquisitions, while we leverage our business platform to reduce operating expenses, expand our margins and drive enhanced shareholder value.

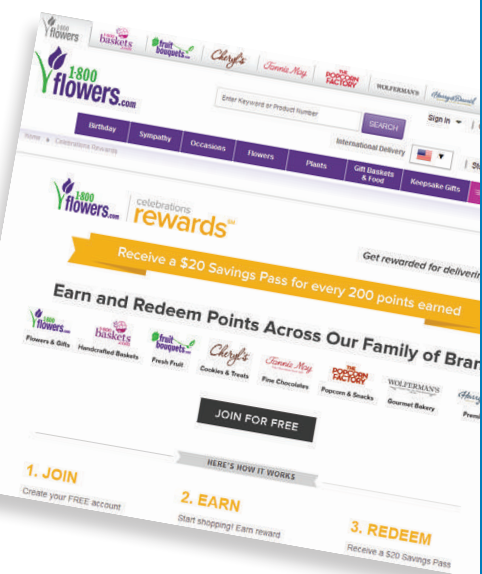
Jim McCann
Chairman and CEO

Chris McCann
President

2016

JANUARY

Everyone likes to belong to exclusive clubs, particularly when the clubs are as exclusively delicious as those offered by our family of brands – including everything from the signature Harry & David® Fruit of the Month Club®, to Cheryl's® Cookie Clubs, Fannie May® Chocolate Clubs, Stock Yards® Steak Clubs, and even a Moose Munch® Gourmet Popcorn Club. In addition to the expanded offering of new clubs and subscriptions, the Company is making gifting even more convenient with the Celebrations suite of services designed to stimulate multi-brand purchases and deepen customer loyalty. The Celebrations Passport® program features free shipping and other exclusive perks while the Celebrations Rewards® program offers special savings to repeat customers and Celebrations Reminders℠ provides personalized alerts to help customers remember to deliver smiles year 'round.



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

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

2016 FEBRUARY

Perhaps no other gifting occasion throughout the year is more important to the "Romantic" in all of us than Valentine's Day. Expert in delivering romantic smiles for more than 40 years, 1-800-FLOWERS.COM, Inc. is dedicated to providing lovers and special friends everywhere with truly original gifts designed to WOW recipients – from stunning, oversized rose arrangements to delectable gourmet gifts from Harry & David®, Cheryl's®, Fannie May®, The Popcorn Factory®, and 1-800-Baskets.com®. Complementing these gift choices is the Company's superior customer service and customer-friendly technologies, underscored by numerous prestigious awards such as: the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee® and a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards.

SUNDAY	MONDAY	TUESDAY
	1	2 Groundhog Day
7	8	9
14 Valentine's Day 100% SMILE GUARANTEE	15 Presidents' Day	16
21	22	23
28	29	

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

MARCH 2016

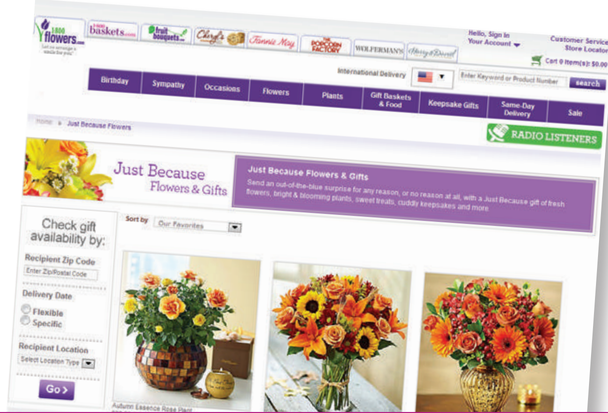
SEND TO WIN
I ♥ FLORISTS

BloomNet®, the floral industry's leading wire service innovator, offers an extensive range of products and services to thousands of local, professional florists across the country. Among the many advantages BloomNet provides to florists is a state-of-the-art technology suite that is continuously being enhanced. For example, the new BloomNet Commerce website program provides florists with a customizable, feature-rich ecommerce solution designed to grow florists' revenues both online and in-store. BloomNet further deepened its relationships with florists in fiscal 2015, and broadened its florist-to-florist order sending opportunities, with promotional programs such as the "Send to Win – I Heart FLORISTS" sweepstakes...encouraging florists to send more orders through BloomNet with the chance to win fabulous cruise vacations and many other valuable prizes.

SUNDAY	MONDAY	TUESDAY
		1
6	7	8
13	14	15
20 *First Day of Spring*	21	22
27 *Easter*	28	29


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

2016 APRIL



As the saying goes, "when you've got it, flaunt it!" – in this case, the "it" is the broadest and best family of gifting brands assembled anywhere, and flaunting it means cross-brand marketing. Introducing millions of online shoppers to this family of brands is the job of the Company's multi-brand website. Here, a growing number of customers are engaging with multiple brands to solve their gifting needs for an expanding range of celebratory occasions – generating increased customer retention, frequency and lifetime value. "Boutique" tabs for Harry & David® and Wolferman's® have joined the multi-brand site, enticing customers to discover new gift possibilities while providing those iconic brands with exposure to millions of potential new customers. In addition to the multi-brand website, the Company continues to be a leading innovator in mobile technology, launching a new app that includes streamlined checkout as well as easy access to the Company's Celebrations Rewards® program and special offers for returning customers.

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11	12
17	18	19
24	25 *Administrative Professionals' Week Begins*	26

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1 *April Fools Day*	2
6	7	8	9
13	14	15	16
20	21	22 *Passover Begins at Sunset*	23
27 *Administrative Professionals' Day* 100% SMILE GUARANTEE	28	29	30

2016 MAY

Consumers across the country and all over the world are increasingly emphasizing healthier lifestyles, and we are staying in front of this growing trend with an extensive offering of healthful products well suited for gifting throughout the year. For Mother's Day the Company offers luxurious spa baskets designed to indulge and pamper Mom along with lite popcorn treats from The Popcorn Factory®, gluten-free cookies from Cheryl's®, and delicious pears and assorted fresh fruits from Harry & David®. Also a customer favorite for Mother's Day and for a myriad of other celebratory occasions is the Company's continuously expanding offering of personalize-able products, including Message in a Bottle® featuring pre-printed poems or custom-created messages as well as personalized plush stuffed animals and many other customized gift ideas.

SUNDAY	MONDAY	TUESDAY
1	2	3
8 *Mother's Day*	9	10
15	16	17
22	23	24
29	30 *Memorial Day (observed)*	31

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5 *Cinco dé Mayo*	6 *National Bring Your Mom to Work Day*	7
11	12	13	14
18	19	20	21
25	26	27	28

JUNE 2016

1-800-FLOWERS.COM, Inc. is truly a one-stop destination for expressing thoughtfulness with the perfect gifts for all occasions and all times of the year. For instance, the month of June is all about Father's Day, graduations and other family gatherings that celebrate the warmer weather and bright sunshine. From breakfast to barbeque and everything in between, brands such as Wolferman's®, Stock Yards®, Harry & David®, Cheryl's®, Fannie May® and The Popcorn Factory® provide a taste tempting selection of gourmet foods that not only deliver smiles for thoughtful gifting but are also just right for customers to treat themselves!

SUNDAY	MONDAY	TUESDAY
5	6	7
12	13	14 *Flag Day*
19 *Father's Day*	20 *First Day of Summer*	21
26	27	28


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

JULY 2016

In fiscal 2015, the Company continued to expand the geographic reach of its Fruit Bouquets by 1800Flowers.com[SM] business, increasing national coverage through the design and creative skills of local florists as well as food service partners across the country. Fruit Bouquets by 1800Flowers.com[SM], birthed internally to address growing customer demand for a same-day fresh fruit gift, are nearly impossible to resist. These freshly carved and hand crafted arrangements feature succulent strawberries, the juiciest melons and grapes, sweetest pineapples and brightest oranges. Each arrangement is expertly designed into customized shapes and each is great for sharing among family and friends as a refreshing treat and during just about any occasion from picnics and backyard cook-outs to sympathy gatherings.

SUNDAY	MONDAY	TUESDAY
3	4 *Independence Day*	5
10	11	12
17	18	19
24 / *Parents' Day* 31	25	26

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

AUGUST 2016

The 1-800-Flowers.com® Local Artisan program provides local florists with an opportunity to showcase their creativity to an audience of millions by promoting their original floral and gourmet product designs on the 1-800-flowers.com website. In essence, the program levels the playing field, giving retail florists and their exquisite floral creations enormous exposure, an especially valuable strategy for flower shops with limited marketing budgets. During fiscal 2015, the Local Artisan program was expanded to add dedicated boutique pages for florists who have three or more products live on the 1-800-flowers.com site, enabling those florists to further market their shops and their design capabilities via behind-the-scenes videos and photos. Florists can find out how to participate in the Local Artisan program at www.1800flowers.com/join-local-program.

SUNDAY	MONDAY	TUESDAY
	1 *National Friendship Week Begins*	2
7	8	9
14	15	16
21	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
31			

2016

SEPTEMBER

Professional florists look to the BloomNet® wire service for innovative insights that can help them grow their business. A cornerstone of BloomNet's commitment to florists is its Floriology® family of services and support. The Floriology Institute™ in Jacksonville, Florida – complemented by Floriology Institute Online™ – provides educational opportunities through courses in floral design taught by the world's leading design experts, enabling florists to explore the latest trends and create uniquely beautiful arrangements that can give their business a competitive edge. Another element in BloomNet's commitment to florists is Floriology® Magazine, filled each month with exciting floral designs and inspirational articles focusing on the success stories of flower shop owners throughout America. Yet another component in the BloomNet offering is the Floriology Institute "Tips, Tricks & Techniques Blog" featuring a constantly updated collection of step-by-step ideas that can increase florists' sales and profits.

SUNDAY	MONDAY	TUESDAY
4	5 *Labor Day*	6
11 *Patriot Day* *Grandparents Day*	12	13
18	19	20
25	26	27



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

2016
OCTOBER

In fiscal 2015, the Company's Business Gift Services division continued to increase its capabilities and its gift offerings for thousands of corporate clients across the country. BGS has expanded its reach through partnerships with Veterans Advantage, Capital One®, MasterCard®, Visa®, American Express® and many others. Order volume has also been enhanced via partnership marketing, providing loyalty and rewards programs through such industry leading organizations as AARP, AAA, Caesars Rewards, Southwest Airlines and JetBlue to name just a few. Furthermore, the BGS division is growing sales through cross-brand marketing, taking advantage of an expanded gourmet food and gift basket line resulting from the recent addition of Harry & David® along with a steady stream of new products including Cheryl's® cookies, Fannie May® chocolates, The Popcorn Factory® and 1-800-Baskets.com®.

SUNDAY	MONDAY	TUESDAY
2 Rosh Hashanah Begins at Sunset	3	4
9	10 Columbus Day (observed)	11 Yom Kippur Begins at Sunset
16	17 National Boss's Day	18
23 / 30	24 / Halloween 31	25

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8 National Children's Day
12	13	14	15 Sweetest Day
19	20	21	22
26	27	28	29

NOVEMBER 2016

The Harry & David® brand has a rich history steeped in tradition and known for top quality gourmet delights including world famous Royal Riviera® pears. The origin of these incomparable pears goes all the way back to the early 1900s when brothers Harry and David Holmes utilized their education in agriculture at Cornell University to specialize in a particularly delicious variety known as the Comice pear. Now, each year the summer/fall harvest at Harry& David's vast orchards in southern Oregon and its thousands of carefully-tended trees produce the very best Mother Nature has to offer: sumptuous pears at their peak of ripeness, unsurpassed in flavor and appearance. During the holidays and for many other celebratory occasions, these pears are treasured gifts that are always enjoyed and looked forward to by generation after generation.

SUNDAY	MONDAY	TUESDAY
		1
6	7	8 *Election Day*
13	14	15
20	21	22
27	28	29

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

2016
DECEMBER

Holiday time is the time for friends and family to gather, and sharing great food is at the heart of the best holiday celebrations – whether those celebrations are at home, in the office, or anywhere else. The Company's family of gourmet gifting brands has something for every palate, from chocolates to steaks to unique fruits and decadent cakes and cookies. The dedicated "chocolatiers" of Fannie May® assure the incredible taste of iconic Pixies®, Mint Meltaways® and other treats; Cheryl's® bakers provide scrumptious frosted cookies and brownies; Harry & David® farmers and Wolferman's® chefs deliver premium quality fruits, muffins and other savory gourmet items; and The Popcorn Factory® and Moose Munch® teams continue to pop out fun and delicious snacks.

SUNDAY	MONDAY	TUESDAY
4	5	6
11	12	13
18	19	20
25 Christmas Day	26 First Day of Kwanzaa	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8	9	10
14	15	16	17
21 *First Day of Winter*	22	23	24 *Hanukkah Begins at Sunset*
28	29	30	31

BOARD OF DIRECTORS

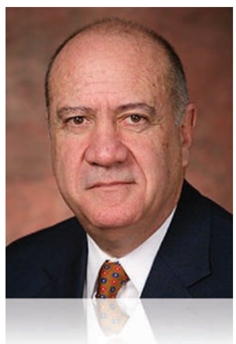
James F. McCann
Chairman and
Chief Executive Officer
1-800-FLOWERS.COM, Inc.

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
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Fiscal Year 2015

Financial Report

1-800-FLOWERS.COM, INC.

Selected Financial Data

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

The selected consolidated statement of operations data for the years ended June 28, 2015, June 29, 2014 and June 30, 2013 and the consolidated balance sheet data as of June 28, 2015 and June 29, 2014, 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 1, 2012 and July 3, 2011, and the selected consolidated balance sheet data as of June 30, 2013, July 1, 2012 and July 3, 2011, 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 Harry & David in September 2014, 16 franchised stores from GB Chocolates on June 27, 2014, iFlorist in December 2013, Pingg Corp in May 2013 (disposed of in June 2015), Flowerama in August 2011, Fine Stationery, Inc. in May 2011 (disposed of in June 2015) 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 its Winetasting Network subsidiary 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 2011, and the results of the e-commerce and procurement businesses as discontinued operations for fiscal 2014, 2013, 2012 and 2011. 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 28, 2015	June 29, 2014	June 30, 2013	July 1, 2012	July 3, 2011
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net revenues	**$1,121,506**	$756,345	$735,497	$707,517	$661,389
Cost of revenues	**634,311**	440,672	430,305	414,940	386,296
Gross profit	**487,195**	315,673	305,192	292,577	275,093
Operating expenses:					
Marketing and sales	**299,801**	194,847	186,720	181,199	171,960
Technology and development	**34,745**	22,518	21,700	20,426	20,109
General and administrative	**85,908**	54,754	52,188	51,474	48,701
Depreciation and amortization	**29,124**	19,848	18,798	19,540	20,237
Total operating expenses	**449,578**	291,967	279,406	272,639	261,007
Gain on sale of stores	**—**	—	—	3,789	—
Operating income	**37,617**	23,706	25,786	23,727	14,086
Interest expense and other, net	**7,303**	1,357	991	2,635	3,993
Income from continuing operations before income taxes	**30,314**	22,349	24,795	21,092	10,093
Income tax expense from continuing operations	**10,930**	8,403	9,073	7,771	3,903
Income from continuing operations	**19,384**	13,946	15,722	13,321	6,190
Income (loss) from discontinued operations, net of tax	**––**	729	(3,401)	4,325	(468)
Net income	**$ 19,384**	$ 14,675	$ 12,321	$ 17,646	$ 5,722
Less: Net loss attributable to noncontrolling interest	**$ (903)**	$ (697)	$ —	$ —	$ —
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 20,287**	$ 15,372	$ 12,321	$ 17,646	$ 5,722
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.31**	$ 0.23	$ 0.24	$ 0.21	$ 0.10
From discontinued operations	**$ 0.00**	$ 0.01	$ (0.05)	$ 0.07	$ (0.01)
Basic net income per common share	**$ 0.31**	$ 0.24	$ 0.19	$ 0.27	$ 0.09
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.30**	$ 0.22	$ 0.24	$ 0.20	$ 0.10
From discontinued operations	**$ 0.00**	$ 0.01	$ (0.05)	$ 0.07	$ (0.01)
Diluted net income per common share	**$ 0.30**	$ 0.23	$ 0.19	$ 0.27	$ 0.09
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**64,976**	64,035	64,369	64,697	64,001
Diluted	**67,602**	66,460	66,792	66,239	65,153

Selected Financial Data *(continued)*

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

	As of				
	June 28, 2015	June 29, 2014	June 30, 2013	July 1, 2012	July 3, 2011
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	**$ 27,940**	$ 5,203	$ 154	$ 28,854	$ 21,442
Working capital	**36,361**	17,511	16,886	29,721	17,303
Total assets	**501,946**	267,569	250,073	262,213	259,075
Long-term liabilities	**168,083**	7,144	5,039	17,080	32,242
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**208,449**	183,228	169,271	161,748	142,511

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 nearly 40 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 recently named in Internet Retailer's 2016 Top Mobile 500 as one of the world's leading mobile commerce sites. Additionally, the Company was included in Internet Retailer's 2015 Top 500 for fast growing e-commerce companies. In 2015, 1-800-FLOWERS.COM was named a winner of the "Best Companies to Work for in New York State" award by The New York Society for Human Resource Management (NYS-SHRM). 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® (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800- Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

On September 30, 2014, the Company completed its acquisition of 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 transaction, at a purchase price of $142.5 million, included 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 48 Harry & David retail stores located throughout the country. Harry & David's revenues were approximately $386 million in fiscal 2014, with Adjusted EBITDA of approximately $28 million.

Including the contribution of Harry & David from date of acquisition, the Company generated total annual net revenues of $1.12 billion and Adjusted EBITDA of $95.3 million for fiscal 2015 (excluding stock based compensation, transaction/integration costs and purchase accounting adjustments related to the Harry & David acquisition and the impact of the Fannie May warehouse fire). It should be noted that the revenue and Adjusted EBITDA for fiscal 2015 do not include the results of Harry & David for the fiscal first quarter of the year, which is typically its lowest in terms of revenues and includes significant losses due to the seasonality of its business. The historical results of Harry & David, as well as applicable pro forma results are included in the Company's Form 8-K/A filed on December 16, 2014.

In order to finance the acquisition, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the "2014 Credit Facility"), consisting of a $142.5 million five-year term loan (the "Term Loan") with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the "Revolver"), with a seasonally adjusted limit ranging from $100.0 to $200.0 million, which may be used for working capital (subject to the applicable sublimit) and general corporate purposes.

On November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. As a result, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its ecommerce and wholesale channels during the holiday season. While the Company implemented contingency plans to increase production for Fannie May Fine Chocolates and Harry London Chocolates products at its production facility in Canton, Ohio and to shift warehousing and distribution operations to alternate Company facilities, product availability was severely limited impacting revenue and earnings during the fiscal second and third quarters of fiscal 2015. The Company does not believe that there will be any further significant impact on revenues from this issue beyond the year ended June 28, 2015.

The impact of lost sales related to the fire was estimated to be $17.3 million during the year ended June 28, 2015, with corresponding loss of income from continuing operations before income taxes of $6.6 million. While no insurance recoveries have been recorded to date related to lost sales, the Company expects that its property and business interruption insurance will cover these losses.

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary 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 the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

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, in turn, is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. While consumers appear more upbeat about the economy, during the recent economic downturn, the demand for our products had been adversely affected by the reduction in consumer spending, and the Company expects that its revenues will continue to be closely tied to changes in consumer sentiment.

Fiscal 2015 was a transformative year for the Company. The acquisition of the iconic Harry & David brands helped the Company to extend its position as a leading, omni-channel provider of top quality gifts that resonate with our customers for all of their celebratory occasions. This acquisition combined with continued organic improvement within all segments of the Company's core businesses have resulted in a business exceeding $1.1 billion in revenue during fiscal 2015. However, fiscal 2105 was not without its challenges, the most significant of which was the Maple Heights, Ohio warehouse fire on Thanksgiving Day which destroyed most of Fannie May's inventory, which was at its annual peak in preparation for the upcoming Holidays. As a result, the Company had limited supplies of its Fannie May chocolate products available in its retail stores as well as for its e-commerce and wholesale channels during the holiday season. While the Company immediately implemented contingency plans to increase production at its facility in Canton, Ohio, and to shift warehousing and distribution operations to alternate facilities, product availability was severely limited. In addition to the fire, the Company effectively steered its way through the challenging day placement of Valentine's Day, which moved from Friday in fiscal 2014 to Saturday in fiscal 2015. This shift presented not only logistical challenges related to Friday/Saturday deliveries, but also impacts overall demand as customers have more gifting options, such as dining out, when Valentine's Day falls on a weekend.

Recognizing the need to balance the Company's short and long-term operating and financial objectives, the primary objectives during fiscal 2016 are to generate outsized earnings growth under a strategy which minimizes risk by focusing on achieving moderate revenue growth from the Company's core businesses, while driving synergistic opportunities from the acquisition of Harry & David which are expected to generate $15 million in operating synergies over a 3-year period and contribute significant, multi-channel revenue growth synergies. Tempered by the current economic climate, during fiscal 2016, the Company said it expects to achieve consolidated revenue growth for the year in a range of five-to-seven percent, compared with revenues of $1.12 billion reported for fiscal 2015. In terms of bottom-line results, the Company expects to grow EBITDA approximately 10% and EPS in excess of 20 percent, compared with pro forma fiscal 2015 Adjusted EBITDA* of $80.5 million and pro forma fiscal 2015 Adjusted EPS* of $0.33 per diluted share. (*Pro forma fiscal 2015 Adjusted EBITDA and Adjusted EPS include seasonal losses associated with Harry & David that are incurred in its fiscal 2015 first quarter. These losses were not captured in the Company's fiscal 2015 results due to the close of the acquisition on September 30, 2014.)

When the Company launched its integration efforts for Harry & David in January of 2015, it created an all-encompassing program designed to look at how the Company can enhance all aspects of its business. As a result of this approach, workstreams in areas including marketing and merchandising, manufacturing, distribution, finance, and human resources are focusing on identifying and achieving a number of initiatives that will enable it to drive enhanced top and bottom-line growth in fiscal 2016, including:

- **Cost synergy opportunities** – where the Company has made significant headway towards identifying and implementing the programs that are expected to drive $15 million in synergies over the next three year. While we continue to focus on capturing these cost synergies, the Company is also working on revenue opportunities in areas such as:
- Our combined **customer database** – where we have new software tools that can help the Company to significantly enhance the relevancy of our marketing messages so that we can expand and deepen our relationships with the customers in our significant database;
- Our **multi-brand website** – launched in fiscal 2015, the Company is now focusing its marketing efforts on developing and growing its multi-branded customer, providing for increased customer counts and pur chase frequency through increased penetration of its suite of floral and food gift products, including the recently acquired Harry & David brand. Through the multi-brand website, the Company is creating a one-stop gift shop featuring all of our brands with a single shopping cart, a single address book, the Celebrations Rewards and Reminders programs and the Celebrations Passport free shipping program – all designed to ease the customers' gifting experience, and
- Our **Mass-Channel** – where the Company can leverage its wholesale account relationships along with our manufacturing capabilities and expanded production capacities to grow our business with brands like Moose Munch, Wolferman's, the Popcorn Factory and Harry London.

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 2015, the Company completed the purchase of Harry & David and in order to finance the acquisition entered into a credit agreement consisting of a term-loan and a new revolving credit facility, assuring capital availability and future flexibility.
- *Continue to Innovate and Invest for the Future* – by investing in technology and new growth opportunities 1-800-FLOWERS.COM was included in Internet Retailer's 2016 Top Mobile 500 as one of the world's leading mobile commerce sites. Additionally, the Company was included in Internet Retailer's 2015 Top 500 for fast growing e-commerce companies. 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. In 2015, 1-800-FLOWERS.COM was named a winner of the "Best Companies to Work for in New York State" award by The New York Society for Human Resource Management (NYS-SHRM), demonstrating its investment in its employees.

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 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 e-commerce and procurement businesses of its Winetasting Network subsidiary, 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 for fiscal 2014 and 2013. (Due to certain one-time items, the following Non-GAAP reconciliation tables have been included within MD&A.)

	Years Ended											
	June 28, 2015	Impact of Warehouse Fire	Impact of Purchase Accounting Adjustment to Deferred Revenue	Impact of Purchase Accounting Adjustment for Inventory Fair Value Step-Up	Impact of Acquisition Costs	Impact of Integration Costs	Impact of Severance Costs	June 28, 2015 Adjusted Net Revenue	June 29, 2014	% Change	June 30, 2013	% Change
Net revenues from continuing operations:						*(dollars in thousands)*						
1-800-Flowers.com Consumer Floral	$ 422,199	$ —	$ —	$ —	$ —	$ —	$ —	$ 422,199	$ 421,336	0.2%	$ 411,526	2.4%
BloomNet Wire Service	85,968	350	—	—	—	—	—	86,318	84,199	2.5%	81,822	2.9%
Gourmet Food & Gift Baskets	613,953	16,934	1,621	—	—	—	—	632,508	251,990	151.0%	243,225	3.6%
Corporate	1,020	—	—	—	—	—	—	1,020	797	28.0%	789	1.0%
Intercompany eliminations	(1,634)	—	—	—	—	—	—	(1,634)	(1,977)	17.3%	(1,865)	(6.0%)
Total net revenues from continuing operations	$ 1,121,506	$ 17,284	$ 1,621	$ —	$ —	$ —	$ —	$ 1,140,411	$ 756,345	50.8%	$ 735,497	2.8%
Gross profit from continuing operations:												
1-800-Flowers.com Consumer Floral	$ 165,677	$ —	$ —	$ —	$ —	$ —	$ —	$ 165,677	$ 164,792	0.5%	$ 163,726	0.7%
	39.2%	—	—	—	—	—	—	39.2%	39.1%		39.8%	
BloomNet Wire Service	47,924	70	—	—	—	—	—	47,994	44,900	6.9%	41,674	7.7%
	55.7%	—	—	—	—	—	—	55.6%	53.3%		50.9%	
Gourmet Food & Gift Baskets	272,690	6,745	1,621	4,760	—	—	—	285,816	105,092	172.0%	98,839	6.3%
	44.4%	—	—	—	—	—	—	45.2%	41.7%		40.6%	
Corporate (*)	904	—	—	—	—	—	—	904	889	1.7%	953	(6.7%)
	88.6%	—	—	—	—	—	—	88.6%	111.5%		—	
Total gross profit from continuing operations	$ 487,195	$ 6,815	$ 1,621	$ 4,760	$ —	$ —	$ —	$ 500,391	$ 315,673	58.5%	$ 305,192	3.4%
	43.4%	39.4%	100.0%	100.0%	0.0%	0.0%	0.0%	43.9%	41.7%		41.5%	
EBITDA from continuing operations, excluding stock-based compensation												
Category Contributions Margin from continuing operations:												
1-800-Flowers.com Consumer Floral	$ 43,529	$ —	$ —	$ —	$ —	$ —	$ —	$ 43,529	$ 40,252	8.1%	$ 47,193	(14.7%)
BloomNet Wire Service	29,398	70	—	—	—	—	—	29,468	26,715	10.3%	25,611	4.3%
Gourmet Food & Gift Baskets	74,889	6,486	1,621	4,760	1,238	—	1,989	90,983	27,122	235.5%	20,345	33.3%
Category Contribution Margin Subtotal	147,816	6,556	1,621	4,760	1,238	—	1,989	163,980	94,089	74.3%	93,149	1.0%
Corporate (*)	(81,075)	—	—	—	2,910	3,039	468	(74,658)	(50,535)	-47.7%	(48,565)	(4.1%)
EBITDA from continuing operations	$ 66,741	$ 6,556	$ 1,621	$ 4,760	$ 4,148	$ 3,039	$ 2,457	$ 89,322	$ 43,554	105.1%	44,584	(2.3%)
Add: Stock-based compensation	5,962	—	—	—	—	—	—	5,962	4,664	27.8%	4,283	8.9%
EBITDA from continuing operations, excluding stock-based compensation	$ 72,703	$ 6,556	$ 1,621	$ 4,760	$ 4,148	$ 3,039	$ 2,457	$ 95,284	$ 48,218	97.6%	48,867	(1.3%)

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

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
	(in thousands, except per share data)		
Income from continuing operations	**$19,384**	$13,946	$15,722
Less: Net loss attributable to noncontrolling interest	**(903)**	(697)	—
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**20,287**	14,643	15,722
Add: Impact of warehouse fire, net of tax	**4,189**	—	—
Add: Purchase accounting adjustment to deferred revenue, net of tax	**1,036**	—	—
Add: Purchase accounting adjustment for inventory fair value step-up, net of tax	**3,042**	—	—
Add: Acquisition costs, net of tax	**2,650**	—	—
Add: Integration costs, net of tax	**1,942**	—	—
Add: Severance costs, net of tax	**1,570**	—	—
Adjusted income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$34,716**	$14,643	$15,722
Less: income attributable to Harry & David	**18,804**	—	—
Adjusted income from continuing operations attributable to 1-800-FLOWERS.COM, Inc., excluding income attributable to Harry & David	**$15,912**	$14,643	$15,722
Income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.31**	$ 0.23	$ 0.24
Diluted	**$ 0.30**	$ 0.22	$ 0.24
Adjusted net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.53**	$ 0.23	$ 0.24
Diluted	**$ 0.51**	$ 0.22	$ 0.24
Adjusted net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc., excluding income attributable to Harry & David			
Basic	**$ 0.24**	$ 0.23	$ 0.24
Diluted	**$ 0.24**	$ 0.22	$ 0.24
Weighted average shares used in the calculation of net income and adjusted net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**64,976**	64,035	64,369
Diluted	**67,602**	66,460	66,792

Discontinued Operations:

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
	(dollars in thousands)		
Net revenues from discontinued operations	**$ —**	$ 1,669	$ 5,154
Gross profit from discontinued operations	**$ —**	$ 429	$ 149
EBITDA from discontinued operations	**$ —**	$ (868)	$ (2,769)

Reconciliation of income from continuing operations attributable to 1-800-Flowers.com, Inc. to Adjusted EBITDA from Continuing Operations, excluding stock-based compensation(**) and EBITDA attributable to Harry & David:

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
		(in thousands)	
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$ 20,287**	$ 14,643	$ 15,722
Add:			
Interest expense and other, net	**7,303**	1,357	991
Depreciation and amortization	**29,124**	19,848	18,798
Income tax expense	**10,930**	8,403	9,073
Less:			
Net loss attributable to noncontrolling interest	**(903)**	(697)	—
EBITDA from continuing operations	**66,741**	43,554	44,584
Add: Stock-based compensation	**5,962**	4,664	4,283
EBITDA from continuing operations, excluding stock-based compensation	**$ 72,703**	$ 48,218	$ 48,867
Add: Impact of warehouse fire	**6,556**	—	—
Add: Purchase accounting adjustment to deferred revenue	**1,621**	—	—
Add: Purchase accounting adjustment for inventory fair value step-up	**4,760**	—	—
Add: Acquisition costs	**4,148**	—	—
Add: Integration costs	**3,039**	—	—
Add: Severance costs	**2,457**	—	—
Adjusted EBITDA from continuing operations, excluding stock-based compensation	**$ 95,284**	$ 48,218	$ 48,867
Less: EBITDA attributable to Harry & David	**41,497**	—	—
Adjusted EBITDA from continuing operations, excluding stock-based compensation and EBITDA attributable to Harry & David	**$ 53,787**	$ 48,218	$ 48,867

(*) 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, and during the year ended June 28, 2015 acquisition and integration costs (including severance) related to the acquisition of Harry & David, in the amount of $9.6 million. 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. The Company has commenced integrating Harry & David into its operating platforms, and as such, their operating costs have been classified in a similar manner.

(**) Performance is measured based on segment contribution margin or segment Adjusted EBITDA, reflecting 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, described above, depreciation and amortization, other income (net), nor does it include one-time charges or gains. 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.

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 2015, 2014 and 2013 consisted of 52 weeks which ended on June 28, 2015, June 29, 2014 and June 30, 2013, respectively.

Net Revenues

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
			(dollars in thousands)		
Net revenues:					
E-Commerce	**$ 849,853**	54.8%	$548,976	2.3%	$536,550
Other	**271,653**	31.0%	207,369	4.2%	198,947
	$1,121,506	48.3%	$756,345	2.8%	$735,497

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

During the fiscal year ended June 28, 2015, revenues increased 48.3% in comparison to the prior year primarily as a result of the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, as well as growth across all three of the Company's business segments. After adjusting for lost revenue associated with the Thanksgiving Day fire at the Company's Fannie May warehouse and distribution center, estimated to be $17.3 million during the year ended June 28, 2015, and for the impact of purchase accounting adjustments to reduce the acquired value of

Harry & David's deferred revenue of $1.6 million during the year ended June 28, 2015, pro forma revenue increased by 50.8% during the year ended June 28, 2015. Excluding the impact of acquisitions, organic revenue, adjusted for the estimated lost revenue from the Fannie May warehouse fire, increased 2.8% during the year ended June 28, 2015, despite the loss of revenue from the shift in the Valentine's Day Holiday to a Saturday in fiscal 2015.

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 Because" 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 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.

E-commerce revenues (combined online and telephonic) increased by 54.8% during the year ended June 28, 2015, primarily as a result of the incremental e-commerce revenue generated by the recent acquisition of Harry & David, as well as organic growth from the Company's Gourmet Food and Gift Baskets segment, offset by the estimated loss of revenues from the warehouse fire. E-commerce revenues from the Consumer Floral segment were flat in comparison to fiscal 2014 as growth during the balance of the year was offset by a decline in Valentine's Day revenue resulting from the shift in the date placement of holiday from Friday in fiscal 2014 to Saturday in fiscal 2015. Reflecting the incremental sales from Harry & David, during fiscal 2015, the Company fulfilled approximately 12.0 million e-commerce orders, with an average order value of $70.87, representing increases of 31.5% and 17.9%, respectively, compared to fiscal 2014.

E-commerce revenues increased by 2.3% during the year ended June 29, 2014. 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. During fiscal 2014, the Company fulfilled approximately 9.1 million e-commerce orders, an increase of 3% in comparison to fiscal 2013, while average order value was $60.09, a decrease of 0.8% in comparison to fiscal 2013.

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 31.0% and 4.2% during fiscal 2015 and fiscal 2014, respectively. The increase in fiscal 2015 was primarily due to the addition of Harry & David's retail and wholesale operations, and to a lesser extent, growth within BloomNet, partially offset by the sales lost as a result of the Thanksgiving Day warehouse fire. The increased revenue in fiscal 2014 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, which was sold in June 2015. (Revenues and operating losses attributable to this business were not material in fiscal 2015.) Net revenues during the fiscal year ended June 28, 2015 increased 0.2% primarily due to the incremental volume provided by iFlorist, which was acquired in December 2013, offset by lower order volume resulting from the Saturday placement of Valentine's Day. Excluding the impact of the acquisition of iFlorist, revenue of the 1-800-Flowers.com Consumer Floral segment decreased by 0.2% in comparison to fiscal 2014. Net revenues during the fiscal year ended June 29, 2014 increased by 2.4% over the prior year, due to increased order volumes, driven by the acquisition of iFlorist and enhanced marketing and merchandising programs that encourage our customers to "wow" their gift recipients and "Never Settle For Less," offset by the loss of revenues from the severe weather that impacted the Valentine's Day holiday. 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 28, 2015 increased 2.1%, as a result of higher membership and transaction fees, including the implementation of a new florist transaction program, and increased accessorial service revenue including directory advertising, partially offset by lower product sales as a result of decreased demand and the west coast dock strike. 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.

The Gourmet Food & Gift Baskets segment includes the operations of Harry & David, Cheryl's, Fannie May Confections, The Popcorn Factory, 1-800-Baskets/DesignPac, and Stockyards.com. Revenue is derived from the sale of gourmet fruits, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops through the Company's e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Harry & David, Cheryl's and Fannie May brand names, as well as wholesale operations. Net revenue during the fiscal year ended June 28, 2015 increased 143.6% in comparison to the prior year, driven primarily by the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, complemented by strong organic e-commerce growth from Cheryl's and 1-800-Baskets, partially offset by reduced revenue from Fannie May due to the Thanksgiving Day warehouse fire. After adjusting for the estimated lost revenue from the warehouse fire, and for the impact of purchase accounting adjustments to reduce the acquired value of Harry & David's deferred revenue, pro forma revenue for the Gourmet Food & Gift Baskets segment increased 151.0% during the year ended June 28, 2015. Excluding the revenue contribution of Harry & David, Gourmet Food & Gift Baskets, revenue growth, adjusted for the estimated lost revenue from the Fannie May warehouse fire, increased 7.8% during the year ended June 28, 2015. Net revenue during the fiscal year ended June 29, 2014 increased by 3.6% in comparison to the prior year, 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.

For fiscal 2016, 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 range of five-to-seven percent.

Gross Profit

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
Gross profit	**$487,195**	54.3%	$315,673	3.4%	$305,192
Gross margin %	**43.4%**		41.7%		41.5%

Gross profit consists of net revenues less cost of revenues, which is comprised 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 include labor and facility costs related to direct-to-consumer and wholesale production operations.

Gross profit increased 54.3% during the fiscal year ended June 28, 2015 in comparison to the prior year, primarily as a result of the incremental revenue and associated gross margins generated by Harry & David, which was acquired on September 30, 2014, as well as organic growth across all segments, partially offset by the impact of the revenues lost as a result of the Thanksgiving Day fire at the Company's Fannie May warehouse and distribution center. After adjusting for estimated lost gross profit from the warehouse fire of $6.8 million during the year ended June 28, and for the impact of Harry & David purchase accounting adjustments related to deferred revenue of $1.6 million and step-up of inventory to fair value of $4.8 million during the year ended June 28, 2015, gross profit during year ended June 28, 2015, increased by 58.5% in comparison to the prior year. Excluding the impact of acquisitions, organic gross profit, adjusted for the estimated lost revenue from the warehouse fire, increased 4.5% during the year ended June 28, 2015. Gross profit increased 3.4% during the fiscal year ended June 29, 2014 in comparison to fiscal 2013, due to 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 margin percentage increased 170 basis points to 43.4% during the fiscal year ended June 28, 2015 in comparison to the prior year, as a result of the aforementioned Harry & David acquisition, which earns higher margins due to its vertically integrated operations, as well as organic improvements across all business segments. After adjusting for the estimated lost gross profit from the warehouse fire for fiscal year ended June 28, 2015 and for the impact of Harry & David purchase accounting adjustments related to deferred revenue and step-up of inventory to fair value for fiscal year ended June 28, 2015, pro forma gross margin percentage increased to 43.9% for the fiscal year ended June 28, 2015. Excluding the impact of acquisitions, organic gross margin percentage, adjusted for the estimated lost revenue from the warehouse fire, was 42.3% during the fiscal year ended June 28, 2015.

The 1-800-Flowers.com Consumer Floral segment gross profit increased by 0.5% during the fiscal year ended June 28, 2015 in comparison to the prior year, due to the higher revenue, as described above. Excluding the impact of the acquisition of iFlorist, gross profit within the 1-800-Flowers.com Consumer Floral segment increased by 0.3%. Gross margin percentage increased 10 basis points to 39.2% during the fiscal year ended June 28, 2015 in comparison to the prior year as sourcing and logistics improvements were offset by lower margins earned by iFlorist. The 1-800-Flowers.com Consumer Floral segment gross profit increased by 0.7% during the fiscal year ended June 29, 2014 in comparison to fiscal 2013, due to higher revenue. 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.

BloomNet Wire Service segment's gross profit increased by 6.7% and 7.7%, and gross margin percentage increased 240 basis points during each of the fiscal years ended June 28, 2015 and June 29, 2014, as a result of an increase in higher margin BloomNet membership, directory and transaction fees, as well as newly implemented transaction fees, offset in part by a reduction in lower margin wholesale product revenues. The Gourmet Food & Gift Baskets segment gross profit increased by 159.5% during the fiscal year ended June 28, 2015 in comparison to the prior year, driven primarily by the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, and strong organic e-commerce growth from Cheryl's and 1-800-Baskets, partially offset by reduced revenue from Fannie May, due to the Thanksgiving Day warehouse fire.

After adjusting for estimated lost gross profit from the warehouse fire of $6.7 million during the year ended June 28, 2015 and for the impact of Harry & David purchase accounting adjustments related to deferred revenue of $1.6 million and step-up of inventory to fair value of $4.8 million during the year ended June 28, 2015, gross profit during the year ended June 28, 2015 increased by 172.0% in comparison to fiscal 2014. Excluding the impact of acquisitions, organic gross profit, adjusted for the estimated lost revenue from the warehouse fire, increased 9.7% during the year ended June 28, 2015. Gross margin percentage increased 270 basis points during the year ended June 28, 2015 to 44.4% as a result of the Harry & David acquisition, which earns higher margins due to its vertically integrated operations, and due to the timing of the acquisition which excluded the first quarter of Harry & David's operations which carries a lower gross margin due to the seasonality of its business, as well as productivity improvements across all brands within the segment. After adjusting for the estimated lost gross profit from the warehouse fire for the year ended June 28, 2015 and for the impact of Harry & David purchase accounting adjustments related to deferred revenue and step-up of inventory to fair value for year ended June 28, 2015, pro forma gross margin percentage increased 350 basis points to 45.2%. Excluding the impact of the acquisition of Harry & David, organic gross margin percentage, adjusted for the estimated lost revenue from the warehouse fire, increased 70 basis points to 42.4% during the year ended June 28, 2015. The Gourmet Food & Gift Baskets segment gross profit increased by 6.3% during the fiscal year ended June 29, 2014 in comparison to fiscal 2013 due to 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.

For fiscal 2016, the Company expects its gross margin percentage will improve in comparison to fiscal 2015 as a result of improvements in product sourcing, supply chain and manufacturing efficiencies.

Marketing and Sales Expense

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
Marketing and sales	**$299,801**	53.9%	$194,847	4.4%	$186,720
Percentage of sales	**26.7%**		25.8%		25.4%

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

During the fiscal year ended June 28, 2015, marketing and sales expenses increased 53.9% in comparison to the prior year primarily as a result of the incremental spend due to the acquisitions of Harry & David on September 30, 2014, as well as higher labor and facility costs associated with an increase in Fannie May store count. The increase in marketing and sales as a percentage of net revenues during the year ended June 28, 2015 was due to the impact of the Harry & David acquisitions, combined with the impact of the warehouse fire. Excluding the impact of the acquisitions, organic marketing and sales as a percentage of net revenues, adjusted for the estimated lost revenue from the warehouse fire, was 25.9% during the year ended June 28, 2015, comparable with the prior year. 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 28, 2015, the Company added approximately 4.6 million (2.6 million excluding the customers of the Harry & David acquisition on September 30, 2014) new e-commerce customers, compared to 2.4 million in fiscal 2014 and 2.3 million in fiscal 2013. Excluding the Harry & David customers, approximately 48% of customers who placed e-commerce orders during fiscal 2015 were repeat customers compared to 49% in fiscal 2014.

Technology and Development Expense

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
Technology and development	**$ 34,745**	54.3%	$ 22,518	3.8%	$21,700
Percentage of sales	**3.1%**		3.0%		3.0%

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.

Technology and development expenses increased 54.3% during the fiscal year ended June 28, 2015 compared to the prior year due to the technology and development costs of Harry & David, which was acquired on September 30, 2014. Technology spend as a percentage of net revenues increased to 3.1% during the fiscal year ended June 28, 2015, compared to the prior year. Excluding the impact of acquisitions, organic technology and development expense as a percentage of net revenues, adjusted for the estimated lost revenue from the warehouse fire, was 3.0% during the fiscal year ended June 28, 2015. 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 years ended June 28, 2015, June 29, 2014 and June 30, 2013, the Company expended $52.1 million, $36.6 million and $37.3 million, respectively, on technology and development, of which $17.4 million, $14.1 million, and $15.6 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
General and administrative	**$ 85,908**	56.9%	$ 54,754	4.9%	$ 52,188
Percentage of sales	**7.7%**		7.2%		7.1%

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

General and administrative expense increased by 56.9% during the fiscal year ended June 28, 2015 in comparison to the prior year, as a result of incremental general and administrative expense of Harry & David, acquired on September 30, 2014, and the related acquisition and integration expenses of $9.6 million during the fiscal year ended June 28, 2015. Excluding the impact of acquisitions, organic general and administrative expense as a percentage of net revenues, adjusted for the estimated lost revenue from the warehouse fire, was 7.2% during the fiscal year ended June 28, 2015. General and administrative expense increased by 4.9% during fiscal 2014, compared to the prior year, 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 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
Depreciation and amortization	**$ 29,124**	46.7%	$ 19,848	5.6%	$ 18,798
Percentage of sales	**2.6%**		2.6%		2.6%

Depreciation and amortization expense increased by 46.7% during the fiscal year ended June 28, 2015 in comparison to the prior year, as a result of the incremental depreciation and amortization expenses of Harry & David, acquired on September 30, 2014, including the impact of the additional intangibles amortization. Depreciation and amortization expense increased by 5.6% during the fiscal year ended June 29, 2014 compared to fiscal 2013, as a result of incremental expenses associated with the acquisition of iFlorist, as well as increased capital spending, including technology upgrades.

Interest Expense and other, net

	Years Ended				
	June 28, 2015	% Change	June 29, 2014	% Change	June 30, 2013
	(dollars in thousands)				
Interest expense and other, net	**$ 7,303**	438.2%	$ 1,357	36.9%	$ 991

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, its equity interest in Flores Online, and foreign currency transaction gains and losses for the Company's iFlorist subsidiary.

In order to finance the Harry & David acquisition, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the "2014 Credit Facility"), consisting of a $142.5 million five-year term loan (the "Term Loan") with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the "Revolver"), with a seasonally adjusted limit ranging from $100.0 to $200.0 million, which may be used for working capital (subject to applicable sublimits) and general corporate purposes. The Term Loan is payable in 20 quarterly installments of principal and interest beginning in December 2014, with escalating principal payments at the rate of 10% in years one and two, 15% in years three and four, and 20% in year five, with the remaining balance of $42.75 million due upon maturity. Upon closing of the acquisition, the Company borrowed $136.7 million under the Revolver to repay amounts outstanding under the Company's and Harry & David's previous credit agreements, as well as to pay acquisition-related transaction costs.

Interest expense and other, net increased 438.2% during the fiscal year ended June 28, 2015 in comparison to the prior year, as a result of the additional interest expense associated with the Term Loan used to finance the acquisition, related working capital requirements of Harry & David, as well as losses on the sale of the Company's Fine Stationery ($0.5 million) and Pingg ($0.6 million) brands during June 2015. Interest expense and other, net increased during the fiscal year ended June 29, 2014 in comparison to fiscal 2013, 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.

Income Taxes

During the fiscal years ended June 28, 2015, June 29, 2014 and June 30, 2013, the Company recorded income tax expense from continuing operations of $10.9 million, $8.4 million and $9.1 million, respectively, resulting in an effective tax rate of 36.1%, 37.6% and 36.6%, 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, valuation allowance changes, rate differences and tax settlements, partially offset by various tax credits/deductions as well as deductible stock-based compensation.

At June 28, 2015 the Company's federal net operating loss carryforwards were $2.5 million, which if not utilized, will begin to expire in fiscal year 2025. The federal net operating loss is subject to Section 382 limitations of $0.3 million per year. The Company's foreign net operating loss carryforward was $7.5 million, while the state net operating losses were $6.2 million, before federal benefit, which if not utilized, will begin to expire in fiscal year 2016.

Discontinued Operations

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary 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 the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

Results for discontinued operations are as follows:

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ —**	$ 1,669	$ 5,154
Loss from discontinued operations, net of tax	**$ —**	$ (86)	$ (1,889)
Gain (loss) on sale of discontinued operations, net of tax	**$ —**	$ 815	$ (1,512)
Income (loss) from discontinued operations	**$ —**	$ 729	$ (3,401)

Liquidity and Capital Resources

Cash Flows

At June 28, 2015, the Company had working capital of $36.4 million, including cash and cash equivalents of $27.9 million, compared to working capital of $17.5 million, including cash and cash equivalents of $5.2 million, at June 29, 2014.

Net cash provided by operating activities of $125.7 million for the fiscal year ended June 28, 2015 was primarily related to net income, adjusted for non-cash charges for depreciation and amortization, the write-off of inventory related to the warehouse fire and stock-based compensation, cash provided by changes in inventory, including the impact related to the timing of the acquisition of Harry & David when inventory was coming to its peak production level, prepaid items and trade receivables, partially offset by the establishment of an insurance receivable related to the fire, and decreases in accounts payable and accrued expenses.

Net cash used in investing activities of $163.6 million was primarily attributable to the acquisition of Harry & David on September 30, 2014 for $142.5 million ($132.0 million, net of cash acquired), capital expenditures related to the Company's technology infrastructure, and the completion of the building expansion of Cheryl's bakery business to accommodate growth of the Company's cookie and brownie product line.

Net cash provided by financing activities of $60.6 million for the fiscal year ended June 28, 2015 was attributable to borrowings under the Company's 2014 Credit Facility used to finance the $142.5 million acquisition of Harry & David on September 30, 2014, offset by repayment of the Harry & David's existing revolving credit facility borrowings of $62.4 million, debt issuance costs, and the acquisition of $8.4 million of treasury stock. As of June 28, 2015 there were no borrowings outstanding under the Company's Revolver.

Credit Facility

In order to finance the acquisition of Harry & David, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the "2014 Credit Facility"), consisting of a $142.5 million five-year term loan (the "Term Loan") with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the "Revolver"), with a seasonally adjusted limit ranging from $100.0 to $200.0 million, which may be used for working capital (subject to applicable sublimits) and general corporate purposes. The Term Loan is payable in 20 quarterly installments of principal and interest beginning in December 2014, with escalating principal payments at the rate of 10% in years one and two, 15% in years three and four, and 20% in year five, with the remaining balance of $42.75 million due upon maturity. Upon closing of the acquisition, the Company borrowed $136.7 million under the Revolver to repay amounts outstanding under the Company's and Harry & David's previous credit agreements, as well as to pay acquisition-related transaction costs.

The 2014 Credit Facility requires that while any borrowings are outstanding the Company comply with certain financial and non-financial covenants, including the maintenance of certain financial ratios. Outstanding amounts under the 2014 Credit Facility will bear interest at the Company's option at either: (i) LIBOR, plus a spread of 175 to 250 basis points, as determined by the Company's leverage ratio, or (ii) ABR, plus a spread of 75 to 150 basis points. The 2014 Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Despite the current challenging economic environment, the Company believes that cash flows from operations along with available borrowings from its 2014 Credit Facility will be a sufficient source of liquidity. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, including the acquisition of Harry & David, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 56% of the Company's annual revenues, and all of its earnings. As a result, the Company expects to generate significant cash from operations during its second quarter, and then utilize that cash for operating needs during its fiscal third and fourth quarters, after which time the Company expects to borrow against its Revolver to fund pre-holiday manufacturing and inventory purchases. Borrowings under the Revolver typically peak in November, at which time cash generated from operations during the Christmas holiday shopping season are expected to enable the Company to repay working capital borrowings prior to the end of December.

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 June 2015, the Company's Board of Directors authorized an increase of $25 million to its stock repurchase plan. The Company repurchased a total of $8.4 million (1,056,038 shares), $8.3 million (1,561,206 shares) and $9.6 million (2,490,065 shares) during the fiscal years ended June 28, 2015, June 29, 2014 and June 30, 2013, respectively, under this program. As of June 28, 2015, $27.3 million remains authorized under the plan.

Contractual Obligations

At June 28, 2015, the Company's contractual obligations from continuing operations consist of:

	Payments due by period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt obligations (including interest)	$140,260	$ 17,087	$ 44,985	$ 78,188	$ —
Operating lease obligations	135,937	24,338	36,919	22,485	52,195
Purchase commitments(*)	88,527	83,669	3,328	1,380	150
Total	$364,724	$ 125,094	$ 85,232	$ 102,053	$ 52,345

(*) 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 delivery and do not include sales tax. 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.

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.

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.

Based on the goodwill impairment test performed during the fourth quarter of fiscal 2015, 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 45% decrease in the fair value of the Company's reporting units as of June 28, 2015, 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, 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 2015, the estimated fair value of the Company's intangibles 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 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.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This standard provides guidance to help entities determine whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software or as a service contract. Upon adoption, an entity has the option to apply the provisions of ASU 2015-05 either prospectively to all arrangements entered into or materially modified, or retrospectively. This standard is effective for the Company's fiscal year ending July 2, 2017. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from that debt liability, consistent with the presentation of a debt discount. This presentation is consistent with the guidance in Concepts Statement 6, which states that debt issuance costs are similar to a debt discount and in effect reduce the proceeds of borrowing, thereby increasing the effective interest rate. Concepts Statement 6 further states that debt issuance costs are not assets because they provide no future economic benefit. This new guidance is effective for the Company's fiscal year ending July 2, 2017 and should be applied retrospectively.

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.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which amends ASC 205, "Presentation of Financial Statements," and ASC 360, "Property, Plant, and Equipment." 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 July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which amends ASC 740, "Income Taxes." The amendments provide guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and may be applied on either a prospective or retrospective basis. The provisions are effective for the Company's first quarter of fiscal year ending June 28, 2015. The adoption of these provisions did not have a significant impact on the Company's consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds and investment grade corporate and U.S. government securities, as well as from outstanding debt. In order to finance the Harry & David acquisition, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the "2014 Credit Facility"), consisting of a $142.5 million five-year term loan (the "Term Loan") with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the "Revolver"), with a seasonally adjusted limit ranging from $100.0 to $200.0 million, which may be used for working capital (subject to applicable sublimits) and general corporate purposes. The Term Loan is payable in 20 quarterly installments of principal and interest beginning in December 2014, with escalating principal payments at the rate of 10% in years one and two, 15% in years three and four, and 20% in year five, with the remaining balance of $42.75 million due upon maturity. Upon closing of the acquisition, the Company borrowed $136.7 million under the Revolver to repay amounts outstanding under the Company's and Harry & David's previous credit agreements, as well as to pay acquisition-related transaction costs. As of June 28, 2015, the Company had $131.8 million outstanding under its 2014 Credit Facility.

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. The Company did not have any open derivative positions at June 28, 2015 and June 29, 2014.

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 2015 and 2014. 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. 28, 2015	Mar. 29, 2015	Dec. 28, 2014	Sep. 28, 2014	Jun. 29, 2014	Mar. 30, 2014	Dec. 29, 2013	Sep. 29, 2013
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$178,830	$177,903	$409,082	$ 84,038	$148,083	$139,918	$180,095	$ 80,880
Other	49,461	54,334	125,193	42,665	39,286	39,673	86,242	42,168
Total net revenues	228,291	232,237	534,275	126,703	187,369	179,591	266,337	123,048
Cost of revenues	130,156	136,915	293,850	73,390	107,513	106,048	155,360	71,751
Gross Profit	98,135	95,322	240,425	53,313	79,856	73,543	110,977	51,297
Operating expenses:								
Marketing and sales	71,629	70,574	122,026	35,572	51,131	51,581	57,656	34,479
Technology and development	9,427	10,389	9,329	5,600	5,756	6,045	5,319	5,398
General and administrative	23,910	22,772	25,558	13,668	12,810	13,865	14,267	13,812
Depreciation and amortization	7,519	7,825	8,679	5,101	5,191	4,932	5,036	4,689
Total operating expenses	112,485	111,560	165,592	59,941	74,888	76,423	82,278	58,378
Operating income (loss)	(14,350)	(16,238)	74,833	(6,628)	4,968	(2,880)	28,699	(7,081)
Interest expense and other, net	2,281	1,631	2,638	753	398	249	418	292
Income (loss) from continuing operations before income taxes	(16,631)	(17,869)	72,195	(7,381)	4,570	(3,129)	28,281	(7,373)
Income tax expense (benefit)	(5,866)	(7,056)	26,655	(2,803)	1,813	(1,391)	10,798	(2,816)
Income (loss) from continuing operations	(10,765)	(10,813)	45,540	(4,578)	2,757	(1,738)	17,483	(4,557)
Income (loss) from discontinued operations, net of tax	—	—	—	—	295	75	(374)	(82)
Gain (loss) on sale of discontinued operations, net of tax	—	—	—	—	—	(62)	877	—
Income (loss) from discontinued operations, net of tax	—	—	—	—	295	13	503	(82)
Net income (loss)	$ (10,765)	$ (10,813)	$ 45,540	$ (4,578)	$ 3,052	$ (1,725)	$ 17,986	$ (4,639)
Less: Net loss attributable to noncontrolling interest	(26)	(318)	(231)	(328)	(356)	(300)	(41)	—
Net income (loss) attributable to 1-800-FLOWERS.COM, Inc.	$ (10,739)	$ (10,495)	$ 45,771	$ (4,250)	$ 3,408	$ (1,425)	$18,027	$ (4,639)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$ (0.16)	$ (0.16)	$ 0.71	$ (0.07)	$ 0.05	$ (0.02)	$ 0.27	$ (0.07)
From discontinued operations	—	—	—	—	0.00	0.00	0.01	0.00
Basic net income per common share	(0.16)	(0.16)	0.71	(0.07)	0.05	(0.02)	0.28	(0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$ (0.16)	$ (0.16)	$ 0.68	$ (0.07)	$ 0.05	$ (0.02)	$ 0.27	$ (0.07)
From discontinued operations	—	—	—	—	0.00	0.00	0.01	0.00
Diluted net income per common share	(0.16)	(0.16)	0.68	(0.07)	0.05	(0.02)	0.27	(0.07)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	65,188	64,909	64,443	63,948	64,112	64,214	64,016	63,799
Diluted	65,188	64,909	67,061	63,948	66,157	64,214	66,095	63,799

The Company's quarterly results may experience seasonal fluctuations. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, including the acquisition of Harry & David on September 30, 2014, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 56% of the Company's annual revenues, and all of its earnings. Additionally, due to the number of major floral gifting occasions, including Mother's Day, Valentine's Day and Administrative Professionals Week, revenues also rise during the Company's fiscal third and fourth quarters in comparison to its fiscal first quarter. The Easter Holiday, which was on April 20th in fiscal 2014, fell on April 5th in fiscal 2015. As a result of the timing of Easter, during fiscal 2015 a portion of revenue and EBITDA associated with the Easter Holiday shifted into the Company's fiscal third quarter, from its fiscal fourth quarter of fiscal 2014. There will be a further shift of revenue and EBITDA as Easter falls on March 27th in fiscal 2016.

Consolidated Balance Sheets

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

(in thousands, except share data)

	June 28, 2015	June 29, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 27,940**	$ 5,203
Receivables, net	**16,191**	13,339
Insurance receivable	**2,979**	—
Inventories	**93,163**	58,520
Deferred tax assets	**4,873**	5,156
Prepaid and other	**14,822**	9,600
Total current assets	**159,968**	91,818
Property, plant and equipment, net	**170,100**	60,147
Goodwill	**77,097**	60,166
Other intangibles, net	**82,125**	44,616
Deferred tax assets	**—**	2,002
Other assets	**12,656**	8,820
Total assets	**$501,946**	$267,569
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 35,425**	$ 24,447
Accrued expenses	**73,639**	49,517
Current maturities of long-term debt	**14,543**	343
Total current liabilities	**123,607**	74,307
Long-term debt	**117,563**	—
Deferred tax liabilities	**42,680**	649
Other liabilities	**7,840**	6,495
Total liabilities	**291,690**	81,451
Commitments and contingencies (Note 17)		
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, 42,875,291 and 38,119,398 shares issued in 2015 and 2014, respectively	**429**	381
Class B common stock, $.01 par value, 200,000,000 shares authorized, 39,310,044 and 42,058,594 shares issued in 2015 and 2014, respectively	**393**	420
Additional paid-in capital	**319,108**	305,510
Retained deficit	**(48,278)**	(68,565)
Accumulated other comprehensive loss	**(371)**	(46)
Treasury stock, at cost, 11,874,475 and 10,818,437 Class A shares in 2015 and 2014, respectively, and 5,280,000 Class B shares in 2015 and 2014	**(62,832)**	(54,472)
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**208,449**	183,228
Noncontrolling interest in subsidiary	**1,807**	2,890
Total equity	**210,256**	186,118
Total liabilities and equity	**$501,946**	$267,569

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 28, 2015	June 29, 2014	June 30, 2013
Net revenues	**$1,121,506**	$756,345	$735,497
Cost of revenues	**634,311**	440,672	430,305
Gross profit	**487,195**	315,673	305,192
Operating expenses:			
Marketing and sales	**299,801**	194,847	186,720
Technology and development	**34,745**	22,518	21,700
General and administrative	**85,908**	54,754	52,188
Depreciation and amortization	**29,124**	19,848	18,798
Total operating expenses	**449,578**	291,967	279,406
Operating income	**37,617**	23,706	25,786
Interest expense and other, net	**7,303**	1,357	991
Income from continuing operations before income taxes	**30,314**	22,349	24,795
Income tax expense from continuing operations	**10,930**	8,403	9,073
Income from continuing operations	**19,384**	13,946	15,722
Loss from discontinued operations, net of tax	**—**	(86)	(1,889)
Gain (loss) on sale of discontinued operations, net of tax	**—**	815	(1,512)
Income (loss) from discontinued operations, net of tax	**—**	729	(3,401)
Net income	**$ 19,384**	$ 14,675	$ 12,321
Less: Net loss attributable to noncontrolling interest	**(903)**	(697)	—
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 20,287**	$ 15,372	$ 12,321
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.			
From continuing operations	**$ 0.31**	$ 0.23	$ 0.24
From discontinued operations	**0.00**	0.01	(0.05)
Basic net income per common share	**$ 0.31**	$ 0.24	$ 0.19
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.			
From continuing operations	**$ 0.30**	$ 0.22	$ 0.24
From discontinued operations	**0.00**	0.01	(0.05)
Diluted net income per common share	**$ 0.30**	$ 0.23	$ 0.19
Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	**64,976**	64,035	64,369
Diluted	**67,602**	66,460	66,792

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

(in thousands)

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
Net income	**$19,384**	$14,675	$12,321
Other comprehensive income (loss) (currency translation)	**(505)**	(75)	17
Comprehensive income	**18,879**	14,600	12,338
Less:			
Net loss attributable to noncontrolling interest	**(903)**	(697)	—
Other comprehensive loss (currency translation) attributable to noncontrolling interest	**(180)**	(29)	—
Comprehensive loss attributable to noncontrolling interest	**(1,083)**	(726)	—
Comprehensive income (loss) attributable to 1-800-FLOWERS.COM, Inc.	**$19,962**	$15,326	$12,338

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

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

Years ended June 28, 2015, June 29, 2014 and June 30, 2013

(in thousands, except share data)

	Common Stock				Additional	Retained	Accumulated Other	Treasury Stock		Total 1-800-FLOWERS.COM, Inc.	Noncontrolling	Total
	Class A		Class B		Paid-In	Deficit	Comprehensive			Stockholders'	Interest	Equity
	Shares	Amount	Shares	Amount	Capital		Loss	Shares	Amount	Equity		
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	—	—	—	—	—	—	(46)	—	—	(46)	(29)	(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)	(46)	16,098,437	(54,472)	183,228	2,890	186,118
Net income	—	—	—	—	—	20,287	—	—	—	20,287	(903)	19,384
Translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**(325)**	**—**	**—**	**(325)**	**(180)**	**(505)**
Conversion of Class B stock into Class A stock	**2,748,550**	**27**	**(2,748,550)**	**(27)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock-based compensation	**1,154,173**	**12**	**—**	**—**	**5,950**	**—**	**—**	**—**	**—**	**5,962**	**—**	**5,962**
Exercise of stock options	**853,170**	**9**	**—**	**—**	**5,533**	**—**	**—**	**—**	**—**	**5,542**	**—**	**5,542**
Excess tax benefit from stock-based compensation	**—**	**—**	**—**	**—**	**2,115**	**—**	**—**	**—**	**—**	**2,115**	**—**	**2,115**
Acquisition of Class A treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,056,038**	**(8,360)**	**(8,360)**	**—**	**(8,360)**
Balance at June 28, 2015	**42,875,291**	**$ 429**	**39,310,044**	**$ 393**	**$ 319,108**	**$ (48,278)**	**$ (371)**	**17,154,475**	**$(62,832)**	**$ 208,449**	**$ 1,807**	**$210,256**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
Operating activities:			
Net income	**$ 19,384**	$ 14,675	$ 12,321
Reconciliation of net income to net cash provided by operating activities, net of acquisitions:			
Operating activities of discontinued operations	**—**	1,587	(179)
Loss/(gain) on sale of discontinued operations	**—**	(1,300)	2,348
Depreciation and amortization	**29,124**	19,848	18,798
Amortization of deferred financing costs	**1,501**	306	420
Deferred income taxes	**2,471**	1,454	(811)
Non-cash impact of write-offs related to warehouse fire	**29,522**	—	—
Bad debt expense	**1,295**	1,656	1,085
Stock-based compensation	**5,962**	4,664	4,283
Excess tax benefit from stock-based compensation	**(2,550)**	(1,837)	(739)
Other non-cash items	**1,439**	755	483
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**8,331**	(1,893)	(4,108)
Insurance receivable	**(2,979)**	—	—
Inventories	**26,390**	(2,564)	(1,823)
Prepaid and other	**8,047**	436	(1,655)
Accounts payable and accrued expenses	**(2,235)**	2,660	4,368
Other assets	**(1,058)**	(262)	(609)
Other liabilities	**1,089**	2,355	463
Net cash provided by operating activities	**125,733**	42,539	34,645
Investing activities:			
Acquisitions, net of cash acquired	**(131,994)**	(9,000)	(3,700)
Capital expenditures	**(32,572)**	(22,985)	(20,044)
Other, net	**963**	(3)	(786)
Investing activities of discontinued operations	**––**	500	—
Net cash used in investing activities	**(163,603)**	(31,488)	(24,530)
Financing activities:			
Acquisition of treasury stock	**(8,360)**	(8,317)	(9,599)
Excess tax benefit from stock based compensation	**2,550**	1,837	739
Proceeds from exercise of employee stock options	**5,542**	527	535
Proceeds from bank borrowings	**239,500**	127,000	62,000
Repayment of notes payable and bank borrowings	**(172,983)**	(127,052)	(91,250)
Debt issuance cost	**(5,642)**	—	(1,234)
Other	**––**	3	(6)
Net cash provided by (used in) financing activities	**60,607**	(6,002)	(38,815)
Net change in cash and cash equivalents	**22,737**	5,049	(28,700)
Cash and cash equivalents:			
Beginning of year	**5,203**	154	28,854
End of year	**$ 27,940**	$ 5,203	$ 154

Supplemental Cash Flow Information:

- Interest paid amounted to $4.3 million $1.0 million and $1.1 million, for the years ended June 28, 2015, June 29, 2014 and June 30, 2013, respectively.
- The Company paid income taxes of approximately $5.1 million, $7.0 million and $8.3 million, net of tax refunds received, for the years ended June 28, 2015, June 29, 2014, and June 30, 2013, respectively.

See accompanying Notes to Consolidated Financial Statements.

Note 1. Description of Business

For nearly 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift.

The 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® (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

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. During fiscal 2015 and 2014, approximately 1% and 2%, respectively, of consolidated net revenue came from international sources, whereas in fiscal 2013 virtually all of the Company's revenues had been derived from domestic sources.

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary 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 the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2015, 2014 and 2013 consisted of 52 weeks which ended on June 28, 2015, June 29, 2014 and June 30, 2013, 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. Orchards in production, consisting of direct labor and materials, supervision and other items, are capitalized as part of capital projects in progress – orchards until the orchards produce fruit in commercial quantities. Upon attaining commercial levels of production the capital investments in these orchards are recorded as land improvements. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. The Company's property plant and equipment is depreciated using the following estimated lives:

Buildings and building improvements (years)	10 - 40
Leasehold improvements (years)	3 - 10
Furniture, fixtures and production equipment (years)	3 - 10
Software (years)	3 - 7
Orchards in production and land improvements	15 - 35

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 12 months. Included within prepaid and other current assets was $2.5million and $0.2 million at June 28, 2015 and June 29, 2014 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 $2.9 million as of June 28, 2015 and $3.2 million as of June 29, 2014, 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 28, 2015 and June 29, 2014 was $(0.3) million and $(0.6) 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 $0.7 million as of June 28, 2015 and $0.8 million as of June 29, 2014. In addition, the Company had notes receivable from a company it maintains an investment in of $0.3 million as of June 28, 2015 and $0.5 million as of June 29, 2014. As described in Note 4 "Acquisitions", 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.

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 ($2.2 million at June 28, 2015 and $2.4 million at June 29, 2014) 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 delivery and do not include sales tax. 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 $130.6 million, $83.0 million and $77.9 million for the years ended June 28, 2015, June 29, 2014 and June 30, 2013, 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 cost associated with share-based awards that are subject solely to time-based vesting requirements, less expected forfeitures, is recognized over the awards' service period for the entire award on a straight-line basis. The cost associated with performance-based equity awards is recognized for each tranche over the service period, based on an assessment of the likelihood that the applicable performance goals will be achieved.

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. When entering into these transactions, 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. The Company did not have any open derivative positions at June 28, 2015 and June 29, 2014.

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.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This standard provides guidance to help entities determine whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software or as a service contract. Upon adoption, an entity has the option to apply the provisions of ASU 2015-05 either prospectively to all arrangements entered into or materially modified, or retrospectively. This standard is effective for the Company's fiscal year ending July 2, 2017. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from that debt liability, consistent with the presentation of a debt discount. This presentation is consistent with the guidance in Concepts Statement 6, which states that debt issuance costs are similar to a debt discount and in effect reduce the proceeds of borrowing, thereby increasing the effective interest rate. Concepts Statement 6 further states that debt issuance costs are not assets because they provide no future economic benefit. This new guidance is effective for the Company's fiscal year ending July 2, 2017 and should be applied retrospectively.

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.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which amends ASC 205, "Presentation of Financial Statements," and ASC 360, "Property, Plant, and Equipment." 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 July 2013, the FASB issued ASU No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which amends ASC 740, "Income Taxes." The amendments provide guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and may be applied on either a prospective or retrospective basis. The provisions are effective for the Company's first quarter of fiscal year ending June 28, 2015. The adoption of these provisions did not have a significant impact on the Company's consolidated financial statements.

Reclassifications

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

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 28, 2015	June 29, 2014	June 30, 2013
	(in thousands, except per share data)		
Numerator:			
Income from continuing operations	**$19,384**	$13,946	$15,722
Less: Net loss attributable to noncontrolling interest	**(903)**	(697)	—
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$20,287**	$14,643	$15,722
Denominator:			
Weighted average shares outstanding	**64,976**	64,035	64,369
Effect of dilutive securities:			
Employee stock options (1)	**1,561**	1,083	786
Employee restricted stock awards	**1,065**	1,342	1,637
	2,626	2,425	2,423
Adjusted weighted-average shares and assumed conversions	**67,602**	66,460	66,792
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.31**	$ 0.23	$ 0.24
Diluted	**$ 0.30**	$ 0.22	$ 0.24

Note (1): The effect of options to purchase 0.1 million, 1.2 million and 2.0 million shares for the years ended June 28, 2015, June 29, 2014 and June 30, 2013, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions

Acquisition of Harry & David

On September 30, 2014, the Company completed its acquisition of 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 brands. The transaction, for 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 48 Harry & David retail stores located throughout the country.

During the quarter ended June 28, 2015, the Company finalized the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on its estimates of their fair values on the acquisition date. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. The estimates and assumptions include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future cash flows. Of the acquired intangible assets, $5.2 million was assigned to customer lists, which are being amortized over the estimated remaining lives of between 4 to 11 years, $35.5 million was assigned to trademarks, $1.1 million was assigned to leasehold positions and $16.0 million was assigned to goodwill, which is not expected to be deductible for tax purposes. The goodwill recognized in conjunction with our acquisition of Harry & David is primarily related to synergistic value created in terms of both operating costs and revenue growth opportunities, enhanced financial and operational scale, and other strategic benefits. It also includes certain other intangible assets that do not qualify for separate recognition, such as an assembled workforce.

The following table summarizes the final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, as well as adjustments made during the measurement period:

	Harry & David Preliminary Purchase Price Allocation	Measurement Period Adjustments (1)	Harry & David Final Purchase Price Allocation
	(in thousands)	*(in thousands)*	*(in thousands)*
Current Assets	$124,245	$ 2,023	$126,268
Intangible Assets	17,209	24,618	41,827
Goodwill	38,635	(22,593)	16,042
Property, plant and equipment	91,023	14,056	105,079
Other assets	111	(242)	(131)
Total assets acquired	271,223	17,862	289,085
Current liabilities, including short-term debt	104,335	178	104,513
Deferred tax liabilities	23,252	18,796	42,048
Other liabilities assumed	1,136	(1,112)	24
Total liabilities assumed	128,723	17,862	146,585
Net assets acquired	$142,500	$ —	$142,500

(1) The measurement period adjustments were due to the finalization of the valuations related to property plant and equipment and intangible assets and resulted in the following: an increase in property, plant and equipment and intangible assets, with the related increase in long-term deferred tax liabilities and corresponding decrease in goodwill. The measurement period adjustments did not have a significant impact on the Company's condensed consolidated statements of income for the year ended June 28, 2015.

The estimated fair value of the acquired work in process and finished goods inventory was determined utilizing the income approach. The income approach estimates the fair value of the inventory based on the net retail value of the inventory less operating expenses and a reasonable profit allowance. Raw materials inventory was valued at book value, as there have not been any significant price fluctuations or other events that would materially change the cost to replace the raw materials.

The estimated fair value of the deferred revenue was determined based on the costs to perform the remaining services and/or satisfy the Company's remaining obligations, plus a reasonable profit for those activities. These remaining costs exclude sales and marketing expenses since the Deferred Revenue has already been "sold," and no additional sales and marketing expenses will be incurred. The reasonable profit to be earned on the deferred revenue was estimated based on the profit mark-up that the Company earns on similar services.

The estimated fair value of property, plant and equipment was determined utilizing a combination of the cost, sales comparison, market, and excess earnings method approaches, as follows:

Under the cost approach a replacement cost of the asset is first determined based on replacing the real property with assets of equal utility and functionality, developed based on both the indirect and the direct cost methods. The indirect cost method includes multiplying the assets' historical costs by industry specific inflationary trend factors to yield an estimated replacement cost. In applying this method, all direct and indirect costs including tax, freight, installation, engineering and other associated soft costs were considered. The direct cost method includes obtaining a current replacement cost estimate from the Company and equipment dealers, which includes all applicable direct and indirect costs. An appropriate depreciation allowance is then applied to the replacement cost based on the effective age of the assets relative to the expected normal useful lives of the assets, condition of the assets, and the planned future utilization of the assets. The determination of fair value also includes considerations of functional obsolescence and economic obsolescence, where applicable.

The sales comparison approach was considered for certain real estate property. Under the sales comparison approach, an estimate of fair value is determined by comparing the property being valued to similar properties that have been sold within a reasonable period from the valuation date, applying appropriate units of comparison.

The market approach was considered for certain assets with active secondary markets including agricultural equipment, automobiles, computer equipment, general equipment, mobile equipment, packaging machinery and semi-tractors. Under the market approach market, comparables for the assets are obtained from equipment dealers, resellers, industry databases, and published price guides. The market comparables are then adjusted to the subject assets based on age, condition or type of transaction. All applicable direct and indirect costs are also considered and reflected in the final fair value determination.

The fair value of orchards in production was determined based on the excess earnings method under the income approach. This valuation approach assumed that the orchards' production could be sold independently through a wholesale market rather than Harry & David's retail channel. The excess earnings method required calculating future crop revenue as determined by multiplying the future crop volume in tons to be produced by the projected price per ton based on the USDA "Agricultural Prices" report released January 31, 2015 by the National Agricultural Statistics Services. Appropriate expenses were deducted from the sales attributable to the orchards and economic rents were charged for the return on contributory assets. The after-tax cash flows attributable to the asset were discounted back to their net present value at an appropriate rate of return and summed to calculate the value of the orchards.

The estimated fair value of the acquired trademarks was determined using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief from royalty method values an intangible asset by estimating the royalties saved through ownership of the asset. The relief from royalty method requires identifying the future revenue that would be generated by the trademark, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in the valuation was based on a consideration of market rates for similar categories of assets. The discount rate used in the valuation was based on the Company's weighted average cost of capital, the riskiness of the earnings stream association with the trademarks and the overall composition of the acquired assets.

The estimated fair value of the acquired customer lists was determined using the excess earnings method under the income approach. This method requires identifying the future revenue that would be generated by existing customers at the time of the acquisition, considering an appropriate attrition rate based on the historical experience of the Company. Appropriate expenses are then deducted from the revenues and economic rents are charged for the return on contributory assets. The after-tax cash flows attributable to the asset are discounted back to their net present value at an appropriate intangible asset rate of return and summed to calculate the value of the customer lists.

Operating results of Harry & David are reflected in the Company's consolidated financial statements from the date of acquisition, within its Gourmet Food & Gift Baskets segment. Harry & David contributed net revenues of $359.7 million and operating income of approximately $24.6 million from September 30, 2014 through June 28, 2015. These amounts are not necessarily indicative of the results of operations that Harry & David would have realized had it continued to operate as a stand-alone company during the period presented due to integration activities since the acquisition date, and due to costs that are now reflected in the Company's unallocated corporate costs which are not allocated to Harry & David.

As required by ASC 805, "Business Combinations," the following unaudited pro forma financial information for the year ended June 28, 2015 and June 29, 2014, give effect to the Harry & David acquisition as if it had been completed on July 1, 2013. The unaudited pro forma financial information is prepared by management for informational purposes only in accordance with ASC 805 and is not necessarily indicative of or intended to represent the results that would have been achieved had the acquisition been consummated as of the dates presented, and should not be taken as representative of future consolidated results of operations. The unaudited pro forma financial information does not reflect any operating efficiencies and/or cost savings that the Company may achieve with respect to the combined companies. The pro forma information has been adjusted to give effect to nonrecurring items that are directly attributable to the acquisition.

	Year Ended	
	June 28, 2015	June 29, 2014
Net revenues from continuing operations	**$1,152,103**	$1,142,946
Income from continuing operations attributable to 1-800-FLOWERS.COM, Inc.	**$ 17,812**	$ 19,439
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.	**$ 0.26**	$ 0.29

The unaudited pro forma amounts above include the following adjustments:

(1) An increase of net revenues and a decrease of cost of sales by $1.6 million and $4.8 million, to reflect the impact of purchase accounting adjustments related to Harry & David's deferred revenue and inventory fair value step-up in the year ended June 28, 2015.

(2) A decrease of operating expenses by $17.4 million during the year ended June 28, 2015, to eliminate non-recurring acquisition costs ($11.9 million during the year ended June 28, 2015), integration costs ($3.0 million during the year ended June 28, 2015) and severance costs ($2.5 million during the year ended June 28, 2015) directly related to the transaction.

(3) A decrease of operating expenses by $0.4 million during the year ended June 29, 2014, to eliminate non-recurring acquisition costs directly related to the transaction.

(4) An increase of operating expenses by $0.2 million during the year ended June 29, 2014, to reflect the additional amortization expense related to the increase in definite lived intangibles.

(5) An increase to interest expense by $1.1 million for the year ended June 28, 2015, and $4.8 million for the year ended June 29, 2014, respectively, to reflect the incremental impact of the 2014 Credit Facility utilized to finance the acquisition, assuming our new credit facility was in place on July 1, 2013.

(6) The adjustments above were tax effected at the combined entity's assumed effective tax rate for the respective periods.

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, in fiscal 2014, 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.

During the quarter ended June 28, 2015, the Company finalized the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on our estimates of their fair values on the acquisition date. There have been no measurement period adjustments. The following table summarizes the final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition:

	Final 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 $2.0 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

During the quarter ended December 28, 2014, the Company finalized the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on our estimates of their fair values on the acquisition date. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. The estimates and assumptions include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future cash flows. Of the acquired intangible assets, $0.7 million was assigned to customer lists, which is being amortized over the estimated remaining life of 3 years, $0.7 million was assigned to trademarks, and $7.9 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 lists 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 final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, as well as adjustments made during the measurement period:

	iFlorist Preliminary Purchase Price Allocation	Measurement Period Adjustments (1)	iFlorist Final Purchase Price Allocation
	(in thousands)	*(in thousands)*	*(in thousands)*
Current Assets	$ 856	$ —	$ 856
Intangible Assets	3,177	(1,709)	1,468
Goodwill	6,537	1,320	7,857
Property, plant and equipment	2,006	—	2,006
Other assets	30	—	30
Total assets acquired	12,606	(389)	12,217
Current liabilities, including current maturities of long-term debt	3,014	—	3,014
Deferred tax liabilities	648	(389)	259
Other liabilities assumed	95	—	95
Total liabilities assumed	3,757	(389)	3,368
Net assets acquired	$ 8,849	$ —	$ 8,849

(1) The measurement period adjustments were due to the finalization of valuations related to intangible assets and resulted in the following: a decrease to intangible assets and the related long-term deferred tax liabilities and an increase to goodwill. The measurement period adjustments did not have a significant impact on our condensed consolidated statements of income for the three and nine months ended March 29, 2015. In addition, these adjustments did not have a significant impact on our condensed consolidated balance sheet as of June 29, 2014. Therefore, we have not retrospectively adjusted this financial information.

The estimated fair value of the acquired trademarks was determined using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief from royalty method values an intangible asset by estimating the royalties saved through ownership of the asset. The relief from royalty method requires identifying the future revenue that would be generated by the trademark, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in the valuation was based on a consideration of market rates for similar categories of assets. The discount rate used in the valuation was based on the Company's weighted average cost of capital, the riskiness of the earnings stream association with the trademarks and the overall composition of the acquired assets.

The estimated fair value of the acquired customer lists was determined using the with and without method. This method calculates the debt-free cash flows generated under two scenarios: the with and without. Under the with scenario, it is assumed that the Company achieves full projections and includes both existing customers as of the valuation date as well as new customers acquired during the course of normal business. The without scenario, assumes that the Company has no existing customers, but rather builds to management projections as new customers are acquired. The differential between the cash flows under the two scenarios is then discounted to present value to determine the value of the customer lists as of the valuation date.

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 included within the 1-800-Flowers.com Consumer Floral segment. iFlorist's operations are not material to the Company's consolidated financial statements and as such pro forma results of operations have not been presented.

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.

Note 5. Inventory

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

	June 28, 2015	June 29, 2014
	(in thousands)	
Finished goods	**$43,254**	$30,859
Work-in-process	**16,020**	8,566
Raw materials	**33,889**	19,095
	$93,163	$58,520

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 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
Harry & David acquisition	—	—	16,042	16,042
iFlorist measurement period adjustment	1,320	—	—	1,320
iFlorist translation adjustment	(429)	—	—	(429)
Other	—	—	(2)	(2)
Balance at June 28, 2015	**$ 17,582**	**$ —**	**$ 59,515**	**$ 77,097**

(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.

There were no goodwill impairment charges in any segment during the years ended June 28, 2015, June 29, 2014 and June 30, 2013.

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

		June 28, 2015			June 29, 2014		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
				(in thousands)			
Intangible assets with determinable lives							
Investment in licenses	**14-16 years**	**$ 7,420**	**$ 5,727**	**$ 1,693**	$ 7,420	$ 5,621	$ 1,799
Customer lists	**3-10 years**	**21,815**	**14,595**	**7,220**	17,313	12,818	4,495
Other	**5-8 years**	**3,665**	**2,597**	**1,068**	2,538	2,538	—
		32,900	**22,919**	**9,981**	27,271	20,977	6,294
Trademarks with indefinite lives		**72,144**	**—**	**72,144**	38,322	—	38,322
Total identifiable intangible assets		**$105,044**	**$22,919**	**$82,125**	$65,593	$20,977	$44,616

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. No material impairments were recognized for the years ended June 28, 2015, June 29, 2014 and June 30, 2013.

The amortization of intangible assets for the years ended June 28, 2015, June 29, 2014 and June 30, 2013 was $.2.1 million, $1.6 million and $1.8 million, respectively. Future estimated amortization expense is as follows: 2016 - $2.1 million, 2017 - $1.5 million, 2018 – $1.3 million, 2019 - $0.7million, 2020 - $0.6 million and thereafter - $3.8 million.

Note 7. Property, Plant and Equipment

	June 28, 2015	June 29, 2014
	(in thousands)	
Land	**$ 31,077**	$ 2,907
Orchards in production and land improvements	**9,028**	—
Building and building improvements	**55,121**	12,551
Leasehold improvements	**19,459**	18,504
Production equipment and furniture and fixtures	**63,132**	40,582
Computer and telecommunication equipment	**56,582**	57,488
Software	**150,695**	136,226
Capital projects in progress - orchards	**7,335**	—
	392,429	268,258
Accumulated depreciation and amortization	**222,329**	208,111
	$170,100	$ 60,147

Depreciation expense for the years ended June 28, 2015, June 29, 2014 and June 30, 2013 was $27.0 million, $18.2 million, and $17.0 million, respectively.

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	June 28, 2015	June 29, 2014
	(in thousands)	
Payroll and employee benefits	**$ 36,370**	$ 22,601
Advertising and marketing	**11,923**	11,803
Other	**25,346**	15,113
	$ 73,639	$ 49,517

Note 9. Long-Term Debt

The Company's current and long-term debt consists of the following:

	June 28, 2015	June 29, 2014
	(in thousands)	
Revolver (1)	**$ —**	$ —
Term Loan (1)	**131,813**	—
Bank loan (2)	**293**	343
Total debt	**132,106**	343
Less: current maturities of long-term debt	**14,543**	343
Long-term debt	**$117,563**	$ —

(1) In order to finance the Harry & David acquisition, on September 30, 2014, the Company entered into a Credit Agreement with JPMorgan Chase Bank as administrative agent, and a group of lenders (the "2014 Credit Facility"), consisting of a $142.5 million five-year term loan (the "Term Loan") with a maturity date of September 30, 2019, and a co-terminus revolving credit facility (the "Revolver"), with a seasonally adjusted limit ranging from $100.0 to $200.0 million, which may be used for working capital (subject to applicable sublimits) and general corporate purposes. The Term Loan is payable in 20 quarterly installments of principal and interest beginning in December 2014, with escalating principal payments at the rate of 10% in years one and two, 15% in years three and four, and 20% in year five, with the remaining balance of $42.75 million due upon maturity. Upon closing of the acquisition, the Company borrowed $136.7 million under the Revolver to repay amounts outstanding under the Company's and Harry & David's previous credit agreements, as well as to pay acquisition-related transaction costs. There are no amounts outstanding under the Revolver as of June 28, 2015.

The 2014 Credit Facility requires that while any borrowings are outstanding the Company comply with certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 28, 2015. Outstanding amounts under the 2014 Credit Facility bear interest at the Company's option at either: (i) LIBOR, plus a spread of 175 to 250 basis points, as determined by the Company's leverage ratio, or (ii) ABR, plus a spread of 75 to 150 basis points. The 2014 Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Future payments under the term loan are as follows: $14.2 million – 2016, $19.6 million – 2017, $21.4 million – 2018, $26.7 million – 2019 and $49.9 million – 2020.

(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. Although no trading market exists, the Company believes that the carrying amount of its debt approximates fair value due to its variable nature. The Company's investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company's remaining financial assets and liabilities are measured and recorded at fair value (see table below). The Company's non-financial assets, such as 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:

	Fair Value Measurements Assets (Liabilities)			
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities) as of June 28, 2015:				
Trading securities held in a "rabbi trust" (1)	$3,118	$3,118	$ —	$ —
	$3,118	$3,118	$ —	$ —

	Fair Value Measurements Assets (Liabilities)			
	Carrying Value	Level 1	Level 2	Level 3
	(in thousands)			
Assets (liabilities) as of June 29, 2014:				
Trading securities held in a "rabbi trust" (1)	$2,146	$2,146	$ —	$ —
	$2,146	$2,146	$ —	$ —

(1) The Company has established a Non-qualified Deferred Compensation Plan (Note 14 – Employee Retirement Plans) for certain members of senior management. Deferred compensation plan assets are invested in mutual funds held in a "rabbi trust" which is restricted for payment to participants of the NQDC Plan Trading securities held in the rabbi trust are measured using quoted market prices at the reporting date and are included in Other assets, with the corresponding liability included in Other liabilities, in 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 through 2014 remain subject to federal examination. Due to ongoing state examinations and non-conformity with the federal statute of limitations for assessment, certain states also remain open from fiscal 2011. The Company commenced operations in foreign jurisdictions in 2012. The Company's foreign income tax filings are open for examination by its respective foreign tax authorities in Canada and the United Kingdom

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 28, 2015, the Company has an unrecognized tax position of approximately $0.6 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 28, 2015	June 29, 2014	June 30, 2013
	(in thousands)		
Current provision (benefit):			
Federal	**$ 6,630**	$ 6,439	$ 7,983
State	**1,840**	1,247	1,845
Foreign	**(11)**	11	—
	8,459	7,697	9,828
Deferred provision (benefit):			
Federal	**1,970**	773	(730)
State	**631**	28	(25)
Foreign	**(130)**	(95)	—
	2,471	706	(755)
Income tax expense	**$10,930**	$ 8,403	$ 9,073

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

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**3.8**	3.7	3.3
Valuation allowance change	**2.6**	1.5	—
Rate differences	**1.1**	1.2	(0.3)
Tax settlements	**1.4**	(1.0)	1.1
Deductible stock-based compensation	**(1.3)**	(0.2)	(0.1)
Domestic production deduction	**(2.2)**	(1.9)	(1.8)
Tax credits	**(3.9)**	(1.7)	(1.2)
Other, net	**(0.4)**	1.0	0.6
	36.1%	37.6%	36.6%

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

	Years Ended	
	June 28, 2015	June 29, 2014
	(in thousands)	
Deferred income tax assets:		
Net operating loss and credit carryforwards	**$ 6,743**	$ 4,342
Accrued expenses and reserves	**5,921**	6,178
Stock-based compensation	**3,622**	3,420
Book in excess of tax depreciation	**—**	1,322
Gross deferred income tax assets	**16,286**	15,262
Less: Valuation allowance	**(4,589)**	(2,241)
	11,697	13,021
Deferred income tax liabilities:		
Other intangibles	**(23,307)**	(6,512)
Tax in excess of book depreciation	**(26,197)**	—
	(49,504)	(6,512)
Net deferred income tax assets (liabilities)	**$ (37,807)**	$ 6,509

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 and Canada subsidiaries. At June 28, 2015 the Company's federal net operating loss carryforwards were $2.5 million, which if not utilized, will begin to expire in fiscal year 2025. The federal net operating loss is subject to Section 382 limitations of $0.3 million per year. The Company's foreign net operating loss carryforward was $7.5 million, while the state net operating losses were $6.2 million, before federal benefit, which if not utilized, will begin to expire in fiscal year 2016.

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. During fiscal 2015, 2,748,550 shares of Class B common stock were converted into shares of Class A common stock.

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 June 2015, the Company's Board of Directors authorized an increase of $25 million to its stock repurchase plan. The Company repurchased a total of $8.4 million (1,056,038 shares), $8.3 million (1,561,206 shares) and $9.6 million (2,490,065 shares) during the fiscal years ended June 28, 2015, June 29, 2014 and June 30, 2013, respectively, under this program. As of June 28, 2015, $27.3 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 28, 2015, the Company has reserved approximately 12.5 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 28, 2015	June 29, 2014	June 30, 2013
	(in thousands, except per share data)		
Stock options	**$ 459**	$ 420	$ 477
Restricted stock awards	**5,503**	4,244	3,806
Total	**5,962**	4,664	4,283
Deferred income tax benefit	**2,087**	1,738	1,555
Stock-based compensation expense, net	**$3,875**	$2,926	$2,728

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

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
	(in thousands)		
Marketing and sales	**$1,866**	$1,261	$1,499
Technology and development	**392**	298	428
General and administrative	**3,704**	3,105	2,356
Total	**$5,962**	$4,664	$4,283

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 Options

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

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
Weighted average fair value of options granted	**$4.86**	$3.16	$2.95
Expected volatility	**52%**	61%	72%
Expected life (in years)	**7.3**	6.6	6.4
Risk-free interest rate	**1.9%**	1.6%	0.7%
Expected dividend yield	**0.0%**	0.0%	0.0%

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

The following table summarizes stock option activity during the year ended June 28, 2015:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	4,339,790	$ 3.80		
Granted	75,000	$ 8.83		
Exercised	(853,170)	$ 6.44		
Forfeited/Expired	(216,474)	$ 8.44		
Outstanding end of period	3,345,146	$ 2.93	4.3 years	$24,910
Options vested or expected to vest at end of period	3,241,485	$ 2.93	4.2 years	$24,141
Exercisable at June 28, 2015	2,095,246	$ 3.04	3.1 years	$15,371

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 2015 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 28, 2015. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the years ended June 28, 2015, June 29, 2014 and June 30, 2013 was $3.6 million, $0.4 million, and $0.6 million, respectively.

The following table summarizes information about stock options outstanding at June 28, 2015:

	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	1,003,500	5.3	$ 1.79	501,000	$ 1.79
$ 2.22 - 2.88	1,053,000	6.3	$ 2.62	422,600	$ 2.61
$ 3.11 - 3.11	959,755	0.9	$ 3.11	959,755	$ 3.11
$ 3.26 - 9.25	276,391	4.2	$ 6.32	184,391	$ 6.09
$ 9.74 - 10.20	52,500	5.9	$ 9.99	27,500	$ 9.80
	3,345,146	4.3	$ 2.93	2,095,246	$ 3.04

As of June 28, 2015, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was $1.8 million and the weighted average period over which these awards are expected to be recognized was 3.9 years.

Restricted Stock

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

The following table summarizes the activity of non-vested restricted stock during the year ended June 28, 2015:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	2,686,685	$ 3.90
Granted	976,882	$ 8.09
Vested	(1,154,173)	$ 3.48
Forfeited	(167,342)	$ 7.14
Non-vested - end of period	2,342,052	$ 5.62

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of June 28, 2015, there was $8.1 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.6 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 2015, 2014 and 2013.

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 28, 2015 and June 29, 2014, these plan liabilities, which are included in Other liabilities within the Company's Consolidated Balance Sheet, totaled $3.1 million and $2.1 million, respectively. The associated plan assets, which are subject to the claims of the creditors, are primarily invested in mutual funds and are included in Other assets-long term. Company contributions during the years ended June 28, 2015, June 29, 2014 and June 30, 2013 were less than $0.1 million. Gains and losses on these investments, were $0.2 million, $0.3 million and $0.2 million for the years ended June 28, 2015, June 29, 2014 and June 30, 2013, 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 (2) below), nor does it include depreciation and amortization, other income/expense and income taxes, or stock-based compensation and certain Harry & David transaction/integration costs, both of which are included within corporate overhead. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by segment.

Net Revenues

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
		(in thousands)	
Net revenues:			
1-800-Flowers.com Consumer Floral	**$ 422,199**	$421,336	$411,526
BloomNet Wire Service (1)	**85,968**	84,199	81,822
Gourmet Food & Gift Baskets (1)	**613,953**	251,990	243,225
Corporate	**1,020**	797	789
Intercompany eliminations	**(1,634)**	(1,977)	(1,865)
Total net revenues	**$1,121,506**	$756,345	$735,497

Operating Income from Continuing Operations

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
		(in thousands)	
Segment Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$43,529**	$ 40,252	$ 47,193
BloomNet Wire Service (1)	**29,398**	26,715	25,611
Gourmet Food & Gift Baskets (1)	**74,889**	27,122	20,345
Segment Contribution Margin Subtotal	**147,816**	94,089	93,149
Corporate (2)	**(81,075)**	(50,535)	(48,565)
Depreciation and amortization	**(29,124)**	(19,848)	(18,798)
Operating income	**$37,617**	$ 23,706	$ 25,786

(1) Refer to Note 18 - Fire at the Fannie May warehouse and distribution facility. On November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. As a result of the fire, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its ecommerce and wholesale channels during its fiscal second and third quarter. As a result, the Company's revenues and income from operations were negatively impacted. The Company does not believe that there will be any further significant impact from this issue beyond the year ended June 28, 2015.

(2) 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, and during the year ended June 28, 2015 acquisition and integration costs (including severance) related to the acquisition of Harry & David, in the amount of $9.6 million. 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. The Company has commenced integrating Harry & David into its operating platforms, and as such, their operating costs have been classified in a similar manner.

Note 16. Discontinued Operations

During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary 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 the e-commerce and procurement business of The Winetasting Network as a discontinued operation for the fiscal years 2014 and 2013.

Results for discontinued operations are as follows:

	Years Ended		
	June 28, 2015	June 29, 2014	June 30, 2013
	(in thousands, except per share data)		
Net revenues from discontinued operations	**$ —**	$ 1,669	$ 5,154
Loss from discontinued operations, net of tax	**$ —**	$ (86)	$(1,889)
Gain (loss) on sale of discontinued operations, net of tax	**$ —**	$ 815	$(1,512)
Income (loss) from discontinued operations	**$ —**	$ 729	$(3,401)

Note 17. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2030. 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 28, 2015 future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	(in thousands)
2016	$ 24,338
2017	20,940
2018	15,980
2019	12,658
2020	9,826
Thereafter	52,195
Total minimum lease payments	$135,937

At June 28, 2015, the total future minimum sublease rentals under non-cancelable operating sub-leases for land and buildings were $3.0 million.

Rent expense was approximately $28.3 million, $17.7 million and $17.7 million for the years ended June 28, 2015, June 29, 2014 and June 30, 2013, 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 28, 2015, the Company had fixed and determinable off-balance sheet purchase commitments with remaining terms in excess of one year of approximately $4.9 million, primarily related to the Company's technology infrastructure.

The Company had approximately $2.5 million in unused stand-by letters of credit as of June 28, 2015.

Litigation

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

In re Trilegiant Corporation, Inc. (Frank v.Trilegiant Corporation, Inc., et al):

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 Company filed its Answer to the Complaint on May 12, 2014. On March 26, 2015, the Court denied plaintiffs' motions and the parties are now engaged in discovery.

Edible Arrangements:

On November 20, 2014, a complaint was filed in the United States District Court for the District of Connecticut by Edible Arrangements LLC and Edible Arrangements International, LLC, alleging that the Company's use of the terms "Fruit Bouquets," "Edible," "Bouquet," "Edible Fruit Arrangements," Edible Arrangements," and "DoFruit" and its use of a six petal pineapple slice design in connection with marketing and selling edible fruit arrangements constitutes trademark infringement, false designation of origin, dilution, and contributory infringement under the federal Lanham Act, 29 USC § 1114 and 1125(a), common law unfair competition, and a violation of the Connecticut Unfair Trade Practices Act, Connecticut General Statutes § 42-110b (a). The Complaint alleges Edible Arrangements has been damaged in the amount of $97,411,000. The Complaint requests a declaratory judgment in favor of Edible Arrangements, an injunction against the Company's use of the terms and design, an accounting and payment of the Company's profits from its sale of edible fruit arrangements, a trebling of the Company's profits from such sales or of any damages sustained by Edible Arrangements, punitive damages, and attorneys' fees. On November 24, 2014, the Complaint was amended to add a breach of contract claim for use of these terms and the design, based on a contract that had been entered by one of the Company's remote subsidiaries prior to its acquisition by the Company.

On January 29, 2015, the Plaintiffs amended the Complaint to add one of the Company's subsidiaries and to claim its damages were $ 101,436,000. The Company filed an Answer and a Counterclaim on February 27, 2015. The Answer asserts substantial defenses, including fair use by the Company of generic and descriptive terms, as expressly permitted under the Lanham Act, invalidity of Edible Arrangements' trademark registrations on grounds of fraud and trademark misuse, lack of exclusive rights on the part of Edible Arrangements, functionality of the claimed design mark, acquiescence, estoppel, and Edible Arrangements' use of the claimed trademarks in violation of the antitrust laws.

The Counterclaim seeks a declaratory judgment of lack of infringement and invalidity of claimed marks, cancellation of Edible Arrangements' registrations due to its fraud and misuse, genericism, and lack of secondary meaning as to any terms deemed descriptive, and damages in an amount to be determined for violation of the antitrust provisions of the federal Sherman Act and the Connecticut Unfair Trade Practices Act.

Discovery has begun and Edible Arrangements filed a motion to dismiss the Company's Sherman Act and

Connecticut Unfair Trade Practices Act claims. The Company filed its brief in opposition to the motion to dismiss on July 10, 2015. The parties are awaiting a decision from the Court. By Order dated May 4, 2015, the court ordered a phasing of the case and bifurcated the antitrust Counterclaim from the infringement claims.

The Company believes its Counterclaims to the Edible Arrangements' claims are meritorious and that there are substantial defenses to both of the claims above and expects to defend the claims vigorously.

There are no assurances that additional legal actions will not be instituted in connection with the Company's former post-transaction marketing practices involving third party vendors nor can we predict the outcome of any such legal action. At this time, we are unable to estimate a possible loss or range of possible loss for the aforementioned actions for various reasons, including, among others: (i) the damages sought are indeterminate, (ii) the proceedings are in the very early stages and in the Frank v. Trilegiant Corporation, Inc. matter, 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. Fire at the Fannie May Warehouse and Distribution Facility

On November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. As a result, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its ecommerce and wholesale channels during the holiday season. While the Company implemented contingency plans to increase production for Fannie May Fine Chocolates and Harry London Chocolates products at its production facility in Canton, Ohio and to shift warehousing and distribution operations to alternate Company facilities, product availability was severely limited, impacting revenue and earnings during the fiscal second and third quarters of fiscal 2015. The Company does not believe that there will be any further significant impact on revenues from this issue beyond the year ended June 28, 2015.

While no insurance recoveries have been recorded to date related to lost sales, the Company expects that its property and business interruption insurance will cover these losses.

The following table reflects the incremental costs related to the fire and related insurance recovery for the year ended June 28, 2015:

Loss on inventory	$ 29,522
Other fire related costs	3,487
	33,009
Less: Fire related recoveries	(33,009)
Fire related charges, net	$ —

Through June 28, 2015, the Company has incurred fire related costs totaling $33.0 million, including a $29.5 million write-down of inventory. Based on the provisions of the Company's insurance policies and management's estimates, the losses incurred have been reduced by the estimated insurance recoveries. The Company has determined that recovery of the incurred losses, including amounts related to the retentions described above, is probable and recorded $33.0 million of insurance recoveries through June 28, 2015. Through June 28, 2015, the Company received $30.0 million of insurance proceeds, representing an advance of funds. As a result, the insurance receivable balance was $3.0 million as of June 28, 2015.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-Flowers.com, Inc.
Carle Place, NY

We have audited the accompanying consolidated balance sheets of 1-800-Flowers.com, Inc. and subsidiaries as of June 28, 2015 and June 29, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 1-800-Flowers.com, Inc. and subsidiaries at June 28, 2015 and June 29, 2014, and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 1-800-Flowers.com, Inc. and subsidiaries internal control over financial reporting as of June 28, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 11, 2015 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, New York
September 11, 2015

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 (the Company) as of June 30, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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. 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 audit 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 the year then ended, in conformity with U.S. generally accepted accounting principles.

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 criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of June 28, 2015. Management has excluded the September 30, 2014 acquisition of Harry & David Holdings, Inc. from its assessment of internal controls over financial reporting as permitted in the year of acquisition under Securities and Exchange Commission guidance. Harry & David constituted approximately 32% of the Company's total assets as of June 28, 2015 and contributed approximately 32% of the Company's total net revenues for the fiscal year ended June 28, 2015.

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 28, 2015. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of June 28, 2015 is set forth below.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-Flowers.com, Inc.
Carle Place, NY

We have audited 1-800-Flowers.com, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of June 28, 2015, based on criteria established in Internal Control – Integrated Framework (2013) 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Harry & David Holdings, Inc. ("Harry & David"), which was acquired on September 30, 2014, and which is included in the consolidated balance sheets of 1-800-Flowers.com, Inc. and subsidiaries as of June 28, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended. Harry & David constituted approximately 32% of the Company's total assets as of June 28, 2015 and contributed approximately 32% of the Company's total net revenues for the fiscal year ended June 28, 2015. Management did not assess the effectiveness of internal control over financial reporting of Harry & David because of the timing of the acquisition which was completed on September 30, 2014. Our audit of internal control over financial reporting of 1-800-Flowers.com, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of Harry & David.

In our opinion, 1-800-Flowers.com, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 28, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 1-800-Flowers.com, Inc. and subsidiaries as of June 28, 2015 and June 29, 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years then ended and our report dated September 11, 2015 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, New York
September 11, 2015

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 28, 2015 and June 29, 2014.

	High	Low
Year ended June 28, 2015		
June 30, 2014 – September 28, 2014	$ 7.49	$ 4.96
September 29, 2014 – December 28, 2014	$ 9.31	$ 7.12
December 29, 2014 – March 29, 2015	$13.46	$ 7.05
March 30, 2015 – June 28, 2015	$13.19	$ 9.36
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

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. During fiscal 2015, 2,748,550 shares of Class B common stock were converted into shares of Class A common stock.

Holders

As of September 1, 2015, there were approximately 257 stockholders of record of the Company's Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of September 1, 2015, there were approximately 13 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 June 2015, the Company's Board of Directors authorized an increase of $25 million to its stock repurchase plan. The Company repurchased a total of $8.4 million (1,056,038 shares), $8.3 million (1,561,206 shares) and $9.6 million (2,490,065 shares) during the fiscal years ended June 28, 2015, June 29, 2014 and June 30, 2013, respectively, under this program. As of June 28, 2015, $27.3 million remains authorized under the plan.

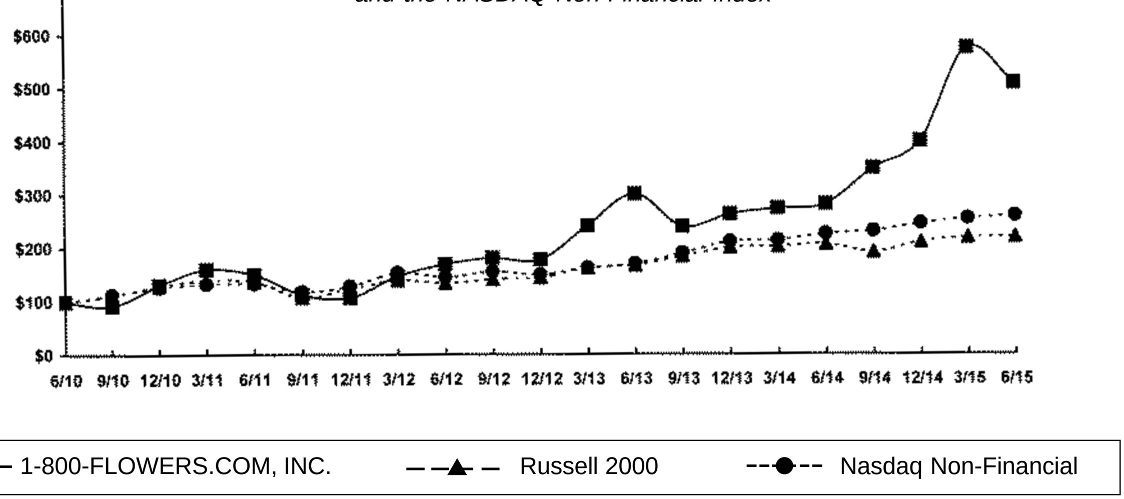
The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended June 28, 2015, which includes the period June 30, 2014 through June 28, 2015:

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)			
6/30/14 - 7/27/14	86.9	$5.58	86.9	$10,145
7/28/13 - 8/31/14	92.9	$5.14	92.9	$ 9,665
9/1/14 - 9/28/14	31.8	$5.44	31.8	$ 9,492
9/29/14 - 10/26/14	—	—	—	$ 9,492
10/27/14 - 11/23/14	416.2	$8.02	416.2	$ 6,152
11/24/14 - 12/28/14	67.8	$7.79	67.8	$ 5,621
12/29/14 - 1/25/15	72.4	$7.59	72.4	$ 5,070
1/26/15 - 2/22/15	22.5	$7.40	22.5	$ 4,903
2/23/15 - 3/29/15	—	—	—	$ 4,903
3/30/15 - 4/26/15	—	—	—	$ 4,903
4/27/15 - 5/24/15	75.9	$9.80	75.9	$ 4,157
5/25/15 - 6/28/15	189.6	$9.90	189.6	$27,272
Total	1,056.0	$7.90	1,056.0	

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

*Comparison of 5 Year Cumulative Total Return**

Among 1-800-Flowers.com, Inc., the Russell 2000 Index and the NASDAQ Non-Financial Index



*$100 invested on 6/30/10 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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SEC Counsel
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Shareholder Inquiries
Copies of the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and additional information about 1-800-FLOWERS.COM, Inc. may be obtained by visiting the Investor Relations section at www.1800flowersinc.com, by calling 516-237-6113, or by writing to:
Investor Relations
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