1 800 FLOWERS COM INC
Form 10-K
September 12, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 29, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-26841

1-800-FLOWERS.COM, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	11-3117311
(State or other jurisdiction of	(I.R.S. Employer

incorporation or organization) Identification No.)

One Old Country Road, Carle Place, New York 11514

(Address of principal executive offices)(Zip code)

(516) 237-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Class A common stock, par value $0.01 per share	The Nasdaq Stock Market, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, December 29, 2013, was approximately $108,444,000. The registrant has no non-voting common stock.

27,103,837

(Number of shares of class A common stock outstanding as of September 5, 2014)

36,845,465

(Number of shares of class B common stock outstanding as of September 5, 2014)

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Definitive Proxy Statement for the 2014 Annual Meeting of Stockholders (the Definitive Proxy Statement) are incorporated by reference into Part III of this Report.

1-800-FLOWERS.COM, INC.

FORM 10-K

For the fiscal year ended June 29, 2014

INDEX

PART I

Item 1. BUSINESS

The Company

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 35 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM has been honored in Internet Retailer's "Top 500 Guide" for 2014. Of Internet Retailer's "2013 Top 100 E-Retailers," 1-800-FLOWERS.COM was named one of 12 e-retailers that LightningBuy mobile analysts deemed "exceptional user interface for consumers using guest checkout." 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. 1-800-FLOWERS.COM is rated EXCELLENT by StellaService which represents a general high quality of service for its customer service performance.

The Company's BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably.
The 1-800-FLOWERS.COM "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from: The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl's® (1-800-443-8124 or www.cheryls.com); premium chocolates and confections from Fannie May® confections brands (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); incredible, carved fresh fruit arrangements from FruitBouquets.com^sm (www.fruitbouquets.com); top quality steaks and chops from Stock Yards® (www.stockyards.com); as well as premium branded customizable invitations and personal stationery from FineStationery.com® (www.finestationery.com). The Company's Celebrations® brand (www.celebrations.com) is a source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday.

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

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. The Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and the results of the e-commerce and procurement business of Winetasting Network as discontinued operations for all periods presented.

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

References in this Annual Report on Form 10-K to “1-800-FLOWERS.COM” and the “Company” refer to 1-800-FLOWERS.COM, Inc. and its subsidiaries. The Company’s principal offices are located at One Old Country Road, Suite 500, Carle Place, NY 11514 and its telephone number at that location is (516) 237-6000.

The Origins of 1-800-FLOWERS.COM

The Company's operations began in 1976 when James F. McCann, its Chairman and Chief Executive Officer, acquired a single retail florist in New York City, which he subsequently expanded to a 14-store chain. Thereafter, the Company modified its business strategy to take advantage of the rapid emergence of toll-free calling. The Company acquired the right to use the toll-free telephone number 1-800-FLOWERS, adopted it as its corporate identity and began to aggressively build a national brand around it. The Company believes it was one of the first companies to embrace this new way of conducting business.

In order to support the growth of its toll-free business and to provide superior customer service, the Company developed an operating infrastructure that incorporated the best available technologies. Over time, the Company implemented a sophisticated transaction processing system that facilitated rapid order entry and fulfillment, an advanced telecommunications system and multiple customer service centers to handle increasing call volume.

To enable the Company to deliver products reliably nationwide on a same-day or next-day basis and to market pre-selected, high-quality floral products, the Company created BloomNet®, a nationwide network including independent local florists selected for their high-quality products, superior customer service and order fulfillment and delivery capabilities.

The Company's online presence has enabled it to expand the number and types of products it can effectively offer to its customers. As a result, the Company has developed relationships with customers who purchase products for both a broad range of celebratory gifting occasions as well as for everyday personal use. The Company has broadened its product offering to include products that a customer could expect to find in a high-end florist shop, including a wide assortment of cut flowers and plants, candy, balloons, plush toys, giftware, gourmet gift baskets, and fruit bouquet arrangements. The Company has also significantly expanded its presence in the gourmet food and gift baskets category, which the Company has identified as having significant revenue and earnings growth potential, through a combination of organic initiatives and strategic acquisitions.

The Company's Strategy

1-800-FLOWERS.COM's objective is to become the leading authority on thoughtful gifting, to serve an expanding range of our customers' celebratory needs, thereby helping our customers express themselves and connect with the important people in their lives. The Company will continue to build on the trusted relationships with our customers by providing them with ease of access, tasteful and appropriate gifts, and superior service.

The Company believes that 1-800-FLOWERS.COM is one of the most recognized brands in the floral and gift industry. The strength of its brand has enabled the Company to extend its product offerings beyond the floral category into complementary products, which include gourmet popcorn, cookies and related baked and snack food products, premium chocolate and confections, wine gifts, gourmet gift baskets, and fruit bouquet arrangements. This extension of gift offerings helps our customers in all of their celebratory occasions, and will enable the Company to increase the number of purchases and the average order value by existing customers who have come to trust the 1-800-FLOWERS.COM brand, as well as continue to attract new customers. As referenced later, the Company is launching its new consolidated customer database and multi-brand website which should benefit all brands by further enhancing the Company's position as the leading, one-stop destination for all of our customers' gifting and celebratory needs.

The Company believes its brands are characterized by:

Convenience. All of the Company's product offerings can be purchased either via the web and wireless devices, or via the Company's toll-free telephone numbers, 24 hours a day, seven days a week, for those customers who prefer a personal gift advisor to assist them. The Company offers a variety of delivery options, including same-day or next-day service throughout the world.

Quality. High-quality products are critical to the Company's continued brand strength and are integral to the brand loyalty that it has built over the years. The Company offers its customers a 100% satisfaction guarantee on all of its products.

Delivery Capability. The Company has developed a market-proven fulfillment infrastructure that allows delivery on a same-day, next-day and any-day basis. Key to the Company's fulfillment capability is an innovative "hybrid" model which combines BloomNet (comprised of independent florists operating retail flower shops, Company-owned stores, and franchised stores), with its manufacturing and distribution centers located in Florida, Illinois, Nevada, New York and Ohio, and third-party vendors who ship directly to the Company's customers.

Selection. Over the course of a year, the Company offers more than 9,600 varieties of fresh-cut flowers, floral and fruit arrangements and plants, and more than 4,400 SKUs of gifts, gourmet foods and gift baskets, cookies and chocolates.

Customer Service. The Company strives to ensure that customer service, whether online, wireless, via the telephone, or in one of its retail stores is of the highest caliber. The Company operates a customer service center at its headquarters in New York, while also utilizing a network of home agents and outsourcers to provide helpful assistance on everything from advice on product selection to the monitoring of the fulfillment and delivery process.

As part of the Company's continuing effort to serve the thoughtful gifting needs of its customers, and leverage its business platform, where appropriate, the Company intends to expand the breadth of the 1-800-Flowers.com brand. The Company intends to accomplish this through organic growth, and where appropriate, through acquisition of complementary businesses. A summary of the Company's more significant brands and/or businesses follows:

CONSUMER FLORAL SEGMENT

Direct-to-consumer provider of fresh flowers, plants, fruit and gift basket products, balloons, candles and plush stuffed animals

Direct-to-consumer provider of carved fresh fruit arrangements

Direct-to-consumer provider of floral and gift related products sold and delivered throughout Europe, acquired in December 2013

Online invitation and event planner, acquired in May 2013

Franchisor and operator of retail flower shops, acquired in August 2011

E-commerce retailer of personalized stationery, invitations and announcements, acquired in May 2011

BLOOMNET WIRESERVICE SEGMENT

Provider of products and services to the professional florist

Wholesale merchandiser and marketer of floral industry products, acquired in July 2008

GOURMET FOOD & GIFT BASKETS SEGMENT

Manufacturer of giftable premium popcorn and specialty treats, acquired in May 2002

Manufacturer and direct retailer of premium chocolates and confections, acquired in May 2006

Baker of premium cookies and related baked gifts, acquired in March 2005. Includes Mrs. Beasley's, a baker of cakes, muffins and gourmet gift baskets, acquired in March 2011

E-commerce retailer of gift baskets and towers.

Designer, assembler and distributor of wholesale gift baskets, gourmet food towers and gift sets, acquired in April 2008

As a complement to the Company's own brands and product lines, the Company has formed strategic relationships with brands such as Lenox®, Waterford®, Crabtree & Evelyn®, Yankee Candle®, Junior's® Cheesecakes, Norman Love®, Starbucks® and Swarovski®. The Company also continues to develop signature products in order to provide its customers with differentiated products and further its position as a destination for all of their gifting needs.

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company's products is affected by the financial health of our customers, which is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. During the recent economic downturn, the demand for our products, and accordingly our financial results, compared to pre-recessionary levels, has been adversely affected by the reduction in consumer spending.

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

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

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

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

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

reinvigorate the Fannie May brand, where the new management team is now turning their focus to driving accelerated revenue growth.

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

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

Faced with a still challenging economic climate, these strategic investments, coupled with improved manufacturing and labor efficiency plans and more targeted and efficient advertising spend, will not only generate revenue growth and consumer loyalty but position the Company to achieve its strategic, financial and operational objectives in the coming year, which in turn will build shareholder value.

Business Categories

The Company operates in the following three business segments: Consumer Floral, Gourmet Food and Gift Baskets, and BloomNet Wire Service. The Consumer Floral segment includes the operations of the Company’s flagship brand, 1-800-Flowers.com, iFLorist, Flowerama, Celebrations, and FineStationery.com, while the Gourmet Food and Gift Baskets segment includes the operations of Fannie May Confections Brands, Cheryl’s (which includes Mrs. Beasley’s), The Popcorn Factory, Stockyards.com, DesignPac and 1-800-Baskets. The BloomNet Wire Service segment includes the operations of BloomNet, BloomNet Technologies, BloomNet Products and Napco.

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and its e-commerce and procurement businesses as discontinued operations for all periods presented.

The Company's Products and Service Offerings

The Company offers a wide range of products including fresh-cut flowers, floral and fruit arrangements and plants, gifts, popcorn, gourmet foods and gift baskets, cookies, chocolates, candy and wine. In order to maximize sales opportunities, products are not exclusive to certain brands, and may be sold across business categories. In addition to selecting its core products, the Company's merchandising team works closely with manufacturers and suppliers to select and design products that meet the seasonal, holiday and other special needs of its customers.

The Company’s differentiated and value-added product offerings create the opportunity to have a relationship with customers who purchase items not only for gift-giving occasions but also for everyday consumption. The Company’s merchandising team works closely with manufacturers and suppliers to select and design its floral, gourmet foods and gift baskets, as well as other gift-related products that accommodate our customers' needs to celebrate a special occasion or convey a sentiment. As part of this continuing effort, the Company intends to continue to develop differentiated products and signature collections that customers have embraced and come to expect, while eliminating marginal performers from its product offerings.

During fiscal 2014, approximately 2% of consolidated net revenue came from international sources, whereas in fiscal 2013 and 2012, virtually all of the Company’s revenues had been derived from domestic sources.

Flowers and Plants. The Company offers fresh-cut flowers and floral and fruit arrangements for all occasions and holidays, available for same-day delivery. The Company provides its customers with a choice of florist designed products, including traditional floral and gift offerings and the Company’s new line of fruit arrangements under the brand Fruit Bouquets® (www.fruitbouquets.com), and flowers delivered fresh from the farm. The Company also offers a wide variety of popular plants to brighten the home and/or office, and accent gardens and landscapes.

Gourmet Foods and Gift Baskets. The Company manufactures premium cookies and baked gift items under the Cheryl’s and Mrs. Beasley’s brands, which are delivered in beautiful and innovative gift baskets and containers, providing customers with a variety of assortments to choose from. The Popcorn Factory brand pops premium popcorn and specialty snack products, while Fannie May Confections Brands manufactures premium chocolate and candy under the Fannie May, Fannie Farmer, Harry London and various private label brand names. The 1-800-BASKETS.COM® brand features a collection of gourmet gift baskets and related products confected by DesignPac, as well as through third parties. The Company also licenses the Stockyards name through which it sells premium meats. Many of the Company’s gourmet products are packaged in seasonal, occasion specific or decorative tins, fitting the “giftable” requirement of individual customers, while also adding the capability to customize the tins with corporate logos and other personalized features for the Company’s corporate customers’ gifting needs.

On August 30, 2014, the Company entered into a definitive agreement to acquire Harry & David Holdings, Inc. (Harry & David), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the under the Harry & David®, Wolferman’s® and Cushman’s® brands. The acquisition is expected to close in October 2014, subject to the satisfaction of customary closing conditions, including regulatory approval.

BloomNet Products and Services. The Company’s BloomNet business provides its members with products and services, including: (i) clearinghouse services, consisting of the settlement of orders between sending florists (including the 1-800-Flowers.com brand) and receiving florists, (ii) advertising, in the form of member directories, including the industry’s first on-line directory, (iii) communication services, by which BloomNet florists are able to send and receive orders and communicate between members, using Bloomlink®, the Company’s proprietary electronic communication system, (iv) other services including web hosting, marketing services and point of sale, and (v) wholesale products, which consist of branded and non-branded floral supplies, enabling member florists to reduce their costs through 1-800-Flowers purchasing leverage, while also ensuring that member florists will be able to fulfill 1-800-Flowers.com brand orders based on recipe specifications. While maintaining industry-high quality standards for its 1-800-Flowers.com brand customers, the Company offers florists a compelling value proposition, offering products and services that its florists need to grow their business and to enhance profitability.

Marketing and Promotion

The Company’s marketing and promotional strategy is designed to strengthen the 1-800-FLOWERS.COM brands, increase customer acquisition, build customer loyalty, and encourage repeat purchases. The Company’s goal is to make its brands synonymous with thoughtful gifting and to help our customers “send smiles” everyday. To do this, the Company intends to invest in its brands and acquire new customers through the use of selective on and off-line media, direct marketing, public relations and strategic Internet relationships, while cost-effectively capitalizing on the Company’s large and loyal customer base.

The Company's strong appeal and brand recognition provide it with significant marketing opportunities. For example, the Company was featured in an episode of the CBS TV hit reality show *Undercover Boss*, providing a great opportunity for all of its brands to receive broad national exposure in front of an estimated 15 million viewers, while our "Imagine the Smiles" program recognizes and celebrates members of our local communities, who are deserving of a smile. And, in what can be considered one of the best compliments a brand can receive, 1-800-Flowers.com's place in America's cultural fabric was confirmed when the brand was featured in a great spoof on Mother's Day family relations during a Saturday Night Live skit.

Enhance its Customer Relationships. The Company intends to deepen its relationship with its customers and be their trusted resource to fulfill their need for quality, tasteful gifts. It plans to encourage more frequent and extensive use of its branded websites, by continuing to provide product-related content and interactive features which will enable the Company to reach its customers during non-holiday periods, thereby increasing everyday purchases for birthdays, anniversaries, weddings, and sympathy. Examples of these efforts include the Company's social media community on Facebook, and Celebration's series of books which enhance engagement through customer generated content. In addition, through customer panel research, the 1-800-Flowers.com brand recently introduced a number of new signature products designed to increase everyday purchases, including the successful introduction of the "a DOG-able™" collection, a variety of dog-shaped floral arrangements, and the "Cupcake in Bloom™", a cupcake shaped arrangement of fresh carnations through the 1-800-Flowers brand, which builds upon the successful "Birthday Cake" and "Happy Hour" collections.

In order to attract new customers and to increase purchase frequency and average order value of existing customers, the Company markets and promotes its brands and products as follows:

Strategic Online Relationships. The Company promotes its products through strategic relationships with leading Internet portals, search engines, and mobile and online networks. The Company's online relationships include, among others, social media sites such as Facebook, Instagram, Twitter, and Pinterest, as well as Google, AOL, Yahoo!, and Microsoft.

Affiliate and Co-Marketing Promotions. In addition to securing alliances with frequently visited websites, the Company has developed an affiliate network that includes thousands of websites operated by third parties. Affiliate participation may be terminated by them or by the Company at any time. These websites earn commissions on purchases made by customers referred from their sites to the Company's website. In order to expand the reach of its marketing programs and stretch its marketing dollars, the Company has established a number of co-marketing relationships and promotions to advertise its products.

E-mails. The Company is able to capitalize on its customer database by utilizing cost-effective, targeted e-mails to notify customers of product promotions, remind them of upcoming gifting occasions and convey other marketing messages.

Direct Mail and Catalogs. The Company uses its direct mail promotions and catalogs to increase the number of new customers and to increase purchase frequency of its existing customers. Through the use of catalogs, the Company can utilize its extensive customer database to effectively cross-promote its products. In addition to providing a direct sale mechanism, these catalogs drive on-line sales and will attract additional customers to the Company’s websites.

Off-line Media. The Company utilizes off-line media, including television, radio and print to market its brands and products. Off-line media allows the Company to reach a large number of customers and to target particular market segments.

The Company’s Websites

The Company offers floral, fruit, plant, gift baskets, gourmet foods, chocolate and candies, plush and specialty gift products through its multi-branded 1-800-FLOWERS.COM (www.1800flowers.com) website. The Company’s customers can access all of its family of brands through “tabs” on this URL, with full multi-brand functionality expected to be launched during fiscal 2015. Customers can come to the Company’s websites directly or be linked by one of the Company’s portal providers, search engine, or affiliate relationships. These include AOL, Yahoo!, Microsoft and Google, as well as thousands of online affiliate program members and social media sites such as Facebook. The Company also offers premium chocolates and confections from Fannie May Fine Chocolates (www.fanniemay.com and www.harrylondon.com), premium popcorn and specialty food products through The Popcorn Factory *(*www.thepopcornfactory.com*)*, exceptional baked cookies and baked gifts from Cheryl’s (www.cheryls.com), which can be accessed directly, or through the Company’s multi-branded website. The Company’s Fine Stationery.com site (www.finestationery.com) offers customers a vast array of unique, customizable invitations, announcements and greeting cards. A majority of the Company’s online revenues are derived from traffic coming directly to one of the Company’s Universal Resource Locators (“URL’s”).

The Company’s websites allow customers to easily browse and purchase its products, promote brand loyalty and encourage repeat purchases by providing an inviting customer experience. The Company’s websites offer customers detailed product information, complete with photographs, personalized shopping services, including search and order tracking, contests, sweepstakes, gift-giving suggestions and reminder programs, party tips and planning, and information about special events and offers. The Company has designed its websites to be fast, secure and easy to use and allows customers to order products with minimal effort.

Technology Infrastructure

The Company believes it has been and continues to be a leader in implementing new technologies and systems to give its customers the best possible shopping experience, whether online or over the telephone. Through the use of customized software applications, the Company is able to retrieve, sort and analyze customer information to enable it to better serve its customers and target its product offerings. The Company’s online and telephonic orders are fed directly from the Company’s secure websites, or with the assistance of a gift advisor, into a transaction processing system which captures the required customer and recipient information. The system then routes the order to the appropriate Company distribution center or, for florist fulfilled or drop-shipped items, selects a florist or other vendor to fulfill the customer's order and electronically transmits the necessary information using BloomLink®, the Company’s proprietary communication system, assuring timely delivery. In addition, the Company’s gift advisors have electronic access to this system, enabling them to assist in order fulfillment and subsequently track other customer and/or order information.

The Company’s technology infrastructure, primarily consisting of the Company’s websites, transaction processing, manufacturing and warehouse management, customer databases and telecommunications systems, is built and maintained for reliability, security, scalability and flexibility. To minimize the risk of service interruptions from unexpected component or telecommunications failure, maintenance and upgrades, the Company has built full back-up and system redundancies into those components of its systems that have been identified as critical.

Fulfillment and Manufacturing Operations

The Company’s customers primarily place their orders either online or over the telephone. The Company’s development of a hybrid fulfillment system, which enables the Company to offer same-day, next-day and any-day delivery, combines the use of BloomNet (comprised of independent florists operating retail flower shops and franchise florist shops), with the Company-owned distribution centers and brand-name vendors who ship directly to the Company’s customers. While providing a significant competitive advantage in terms of delivery options, the Company’s fulfillment system also has the added benefit of reducing the Company’s capital investments in inventory and infrastructure. All of the Company’s products are backed by a 100% satisfaction guarantee, and the Company’s business is not dependent on any single third-party supplier.

To ensure reliable and efficient communication of online and telephonic orders to its BloomNet members and third party gift vendors, the Company developed BloomLink®, a proprietary and secure internet-based communications system which is available to all BloomNet members and third-party gift vendors. The Company also has the ability to arrange for international delivery of floral products through independent wire services and through iFlorist.

Fulfillment and manufacturing of products is as follows:

Flowers and Plants. A majority of the Company’s floral orders are fulfilled by one of the Company’s BloomNet members, allowing the Company to deliver its floral and fruit bouquet products on a same-day or next-day basis to ensure freshness and to meet its customers’ need for immediate gifting. In addition, the Company is better positioned to ensure consistent product quality and presentation and offer a greater variety of arrangements, which creates a better experience for its customers and gift recipients. The Company selects retail florists for BloomNet based upon the florist's design staff, facilities, quality of floral processing, and delivery capabilities and allocates orders to members within a geographical area based on historical performance of the florist in fulfilling orders, and the number of BloomNet florists currently serving the area. The Company regularly monitors BloomNet florists’ performance and adherence to the Company’s quality standards to ensure proper fulfillment.

The Company’s relationships with its BloomNet members are non-exclusive. Many florists, including many BloomNet florists, also are members of other floral fulfillment organizations. The BloomNet agreements generally are cancelable by either party with ten days notification and do not guarantee any orders, dollar amounts or exclusive territories from the Company to the florist. In certain instances, the Company is required to fulfill orders through non-BloomNet members, and transmits these orders to the fulfilling florist using the communication system of an independent wire service or via telephone.

In addition to its florist designed product, the Company offers its customers an alternative to florist designed products through its direct ship products fresh from the farm.

As of June 29, 2014, the Company operates one floral retail store in New York, and 8 floral retail stores in the mid-west. In addition, the Company has 196 floral franchised stores, located within the United States.

Gourmet Foods and Gift Baskets. In order to achieve improved margins, better control quality and to offer premium branded signature products in the Gourmet Food and Gift Baskets product category, the Company has acquired several gourmet food retailers with manufacturing operations. The Company’s premium chocolates are manufactured and distributed from its 189,000 square foot production facility in Akron, Ohio, and the Company’s cookie and baked gifts are fulfilled from its 44,000 square foot baking facility in Westerville, OH, and from its 176,000 square foot freezer and distribution center in Obetz, Ohio, while its premium popcorn and related snack products are shipped from the Company’s 148,000 square foot manufacturing and distribution center located in Lake Forest, Illinois. Gift basket confection and fulfillment for both wholesale and 1-800-Baskets.com is handled by DesignPac, through its 249,000 square foot distribution center located in Melrose Park, IL. As of June 29, 2014, the Company operates 84 Fannie May/Harry London and 9 Cheryl’s retail stores. In addition, Fannie May has 5 franchised stores, primarily located within the United States. (In June 2014, the Company terminated its franchise agreement with GB Chocolates and acquired 16 stores GB had been operating under the agreement. As such, in fiscal 2015, retail store sales growth will replace franchise revenues.)

Seasonality

The Company’s quarterly results may experience seasonal fluctuations. Due to the Company’s expansion into non-floral products, the Thanksgiving through Christmas holiday season, which falls within the Company’s second fiscal quarter, generates the highest proportion of the Company’s annual revenues. In addition, as the result of a number of major floral gifting occasions, including Mother's Day and Administrative Professionals Week, revenues also rise during the Company’s fiscal fourth quarter. Finally, results during the Company’s fiscal first quarter are negatively impacted by the lack of major gift-giving holidays, and the disproportionate amount of overhead incurred during this slow period.

Accordingly, a disproportionate amount of operating cash flows are generated in the Company's fiscal second and fourth quarters. In preparation for the Company's second quarter holiday season, the Company significantly increases its inventories, and therefore, corresponding cash requirements, which traditionally have been financed by cash flows from operations and bank lines of credit, which are highest during the latter part of the Company's fiscal first quarter, peaking within its second fiscal quarter. The Company has historically repaid all revolving bank lines of credit with cash generated from operations, prior to the end of the Company's fiscal second quarter. Additionally, the variability in the timing of the Easter Holiday also impacts the Company's comparative quarterly results. The Easter Holiday was in the Company's fourth quarter during fiscal 2014, but was in the third quarter during fiscal 2013, and it will fall in the fourth quarter during fiscal 2015. The seasonality of the Company's operations will be further impacted by the planned acquisition of Harry & David.

Competition

The growing popularity and convenience of e-commerce has continued to give rise to established businesses on the Internet. In addition to selling their products over the Internet, many of these retailers sell their products through a combination of channels by maintaining a website, a toll-free phone number and physical locations. Additionally, several of these merchants offer an expanding variety of products and some are attracting an increasing number of customers. Certain mass merchants have expanded their offerings to include competing products and may continue to do so in the future. These mass merchants, as well as other potential competitors, may be able to:

- undertake more extensive marketing campaigns for their brands and services;
- adopt more aggressive pricing policies; and
- make more attractive offers to potential employees, distributors and retailers.

In addition, the Company faces intense competition in each of its individual product categories. In the floral industry, there are various providers of floral products, none of which is dominant in the industry. The Company’s competitors include:

- retail floral shops, some of which maintain toll-free telephone numbers and websites;
- online floral retailers, as well as retailers offering substitute gift products;
- catalog companies that offer floral products;
- floral telemarketers and wire services; and
- supermarkets, mass merchants and specialty retailers with floral departments.

Similarly, the plant, gift basket and gourmet foods categories are highly competitive. Each of these categories encompasses a wide range of products, is highly fragmented and is served by a large number of companies, none of which is dominant. Products in these categories may be purchased from a number of outlets, including mass merchants, telemarketers, retail specialty shops, online retailers and mail-order catalogs.

The Company believes the strength of its brands, product selection, customer relationships, technology infrastructure and fulfillment capabilities position it to compete effectively against its current and potential competitors in each of its product categories. However, increased competition could result in:

- price reductions, decreased revenues and lower profit margins;
- loss of market share; and
- increased marketing expenditures.

These and other competitive factors may adversely impact the Company's business and results of operations.

Government Regulation and Legal Uncertainties

The Internet continues to evolve and there are laws and regulations directly applicable to e-commerce. Legislatures are also considering an increasing number of laws and regulations pertaining to the Internet, including laws and regulations addressing:

- user privacy;
- pricing;
- content;
- connectivity;
- intellectual property;
- distribution;
- taxation;
- liabilities;
- antitrust; and
- characteristics and quality of products and services.

Further, the growth and development of the market for online services may prompt more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The adoption of any additional laws or regulations may impair the growth of the Internet or commercial online services. This could decrease the demand for the Company’s services and increase its cost of doing business. Moreover, the applicability to the Internet of existing laws regarding issues like property ownership, taxes, libel and personal privacy is uncertain. Any new legislation or regulation that has an adverse impact on the Internet or the application of existing laws and regulations to the Internet could have a material adverse effect on the Company’s business, financial condition and results of operations.

States or foreign countries might attempt to regulate the Company’s business or levy additional sales or other taxes relating to its activities. Because the Company’s products and services are available over the Internet anywhere in the world, multiple jurisdictions may claim that the Company is required to do business as a foreign corporation in one or more of those jurisdictions. Failure to qualify as a foreign corporation in a jurisdiction where the Company is required to do so could subject it to taxes and penalties. States or foreign governments may charge the Company with violations of local laws.

Intellectual Property and Proprietary Rights

The Company regards its service marks, trademarks, trade secrets, domain names and similar intellectual property as critical to its success. The Company has applied for or received trademark and/or service mark registration for, among others, “1-800-FLOWERS.COM”, “1-800-FLOWERS”, “1-800-Baskets”, “GreatFoods.com”, “The Popcorn Factory”, “TheGift.com”, “Cheryl’s”, “Mrs. Beasley’s”, “Celebrations”, “Flowerama”, “FineStationery.com”, “DesignPac”, “Napco”, “F and “Harry London”. The Company also has rights to numerous domain names, including www.1800flowers.com, www.800flowers.com, www.1800baskets.com, www.flowers.com, www.greatfoods.com, www.stockyards.com, www.finestationery.com, www.cheryls.com, www.fanniemay.com, www.harrylondon.com, www.celebrations.com, www.flowerama.com, www.designpac.com, www.mybloomnet.net, www.napcoimports.com, pingg.com, and www.iflorist.co.uk. In addition, the Company has developed transaction processing and operating systems as well as marketing data, and customer and recipient information databases.

The Company relies on trademark, unfair competition and copyright law, trade secret protection and contracts such as confidentiality and license agreements with its employees, customers, vendors and others to protect its proprietary rights. Despite the Company’s precautions, it may be possible for competitors to obtain and/or use the Company’s proprietary information without authorization or to develop technologies similar to the Company’s and independently create a similarly functioning infrastructure. Furthermore, the protection of proprietary rights in Internet-related industries is uncertain and still evolving. The laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. The Company’s means of protecting its proprietary rights in the United States or abroad may not be adequate.

The Company intends to continue to license technology from third parties, including Oracle, SAS, Microsoft, IBM, Verizon and AT&T, for its communications technology and the software that underlies its business systems. The market is evolving and the Company may need to license additional technologies to remain competitive. The Company may not be able to license these technologies on commercially reasonable terms or at all.

Third parties have in the past infringed or misappropriated the Company's intellectual property or similar proprietary rights. The Company believes infringements and misappropriations will continue to occur in the future. The Company intends to police against infringement and misappropriation. However, the Company cannot guarantee it will be able to enforce its rights and enjoin the alleged infringers from their use of confusingly similar trademarks, service marks, telephone numbers and domain names.

In addition, third parties may assert infringement claims against the Company. The Company cannot be certain that its technologies or its products and services do not infringe valid patents, trademarks, copyrights or other proprietary rights held by third parties. The Company may be subject to legal proceedings and claims from time to time relating to its intellectual property and the intellectual property of others in the ordinary course of its business. Intellectual property litigation is expensive and time-consuming and could divert management resources away from running the Company's business.

Employees

As of June 29, 2014, the Company had a total of 2,034 full and part-time employees. During peak periods, the Company substantially increases the number of customer service, manufacturing and retail and fulfillment personnel. The Company's personnel are not represented under collective bargaining agreements and the Company considers its relations with its employees to be good.

Item 1A. Risk Factors

Cautionary Statements Under the Private Securities Litigation Reform Act of 1995

Our disclosures and analysis in this Form 10-K contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other statements we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions; the effectiveness of our marketing programs; the performance of our existing products and services; our ability to attract and retain customers and expand our customer base; our ability to enter into or renew online marketing agreements; our ability to respond to competitive pressures; expenses, including shipping costs and the costs of marketing our current and future products and services; the outcome of contingencies, including legal proceedings in the normal course of business; and our ability to integrate acquisitions.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risk, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports to the SEC. Also note we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995.

The financial and credit markets have been and continue to experience unprecedented disruption, which may have an adverse effect on our customers' spending patterns and in turn our business, financial condition and results of operations. Consumer spending patterns are difficult to predict and are sensitive to the general economic climate, the consumer's level of disposable income, consumer debt, and overall consumer confidence. The ongoing global financial crisis affecting the banking system and financial markets has resulted in a low level of consumer confidence. During the past few years, the volatility and disruption in the financial markets have reached unprecedented levels. This financial crisis has impacted and may continue to impact our business in a number of ways. Included among these current and potential future negative impacts are reduced demand and lower prices for our products and services. We are currently operating in challenging macroeconomic conditions, which may continue during fiscal 2015.

The Company's operating results may fluctuate, and this fluctuation could cause financial results to be below expectations. The Company's operating results may fluctuate from period to period for a number of reasons. In budgeting the Company's operating expenses for the foreseeable future, the Company makes assumptions regarding revenue trends; however, some of the Company's operating expenses are fixed in the short term. Sales of the Company's products are seasonal, concentrated in the fourth calendar quarter, due to the Thanksgiving and Christmas-time holidays, and the second calendar quarter, due to Mother's Day and Administrative Professionals' Week. In anticipation of increased sales activity during these periods, the Company hires a significant number of temporary employees to supplement its permanent staff and the Company increases its inventory levels. If revenues during these periods do not meet the Company's expectations, it may not generate sufficient revenue to offset these increased costs and its operating results may suffer.

The Company's quarterly operating results may significantly fluctuate and you should not rely on them as an indication of its future results. The Company's future revenues and results of operations may significantly fluctuate due to a combination of factors, many of which are outside of management's control. The most important of these factors include:

- seasonality;
- the retail economy;
- the timing and effectiveness of marketing programs;
- the timing of the introduction of new products and services;
- the Company's ability to find and maintain reliable sources for certain of its products;
- the timing and effectiveness of capital expenditures;
- the Company's ability to enter into or renew online marketing agreements; and
- competition.

The Company may be unable to reduce operating expenses quickly enough to offset any unexpected revenue shortfall. If the Company has a shortfall in revenue without a corresponding reduction to its expenses, operating results may suffer. The Company's operating results for any particular quarter may not be indicative of future operating results. You should not rely on quarter-to-quarter comparisons of results of operations as an indication of the Company's future performance. It is possible that results of operations may be below the expectations of public market analysts and investors, which could cause the trading price of the Company's Class A common stock to fall.

Consumer spending on flowers, gifts and other products sold by the Company may vary with general economic conditions. If general economic conditions deteriorate and the Company's customers have less disposable income, consumers may spend less on its products and its quarterly operating results may suffer.

During peak periods, the Company utilizes temporary employees and outsourced staff, who may not be as well-trained or committed to its customers as its permanent employees, and if they fail to provide the Company's customers with high quality customer service the customers may not return, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company depends on its customer service department to respond to its customers should they have questions or problems with their orders. During peak periods, the Company relies on its permanent employees, as well as temporary employees and outsourced staff to respond to customer inquiries. These temporary employees and outsourced staff may not have the same level of commitment to the Company's customers or be as well trained as its permanent employees. If the Company's customers are dissatisfied with the quality of the customer service they receive, they may not shop with the Company again, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

If the Company's customers do not find its expanded product lines appealing, revenues may not grow and net income may decrease. The Company's business historically has focused on offering floral and floral-related gift products. Although the Company has been successful in its expanded product lines including fruit bouquets, plants, gift baskets, popcorn, gourmet food and unique or specialty gifts, it expects to continue to incur significant costs in marketing these products. If the Company's customers do not continue to find its product lines appealing, the Company may not generate sufficient revenue to offset its related costs and its results of operations may be negatively impacted.

If the Company fails to develop and maintain its brands, it may not increase or maintain its customer base or its revenues. The Company must continue to develop and maintain the 1-800-FLOWERS.COM brands to expand its customer base and its revenues. In addition, the Company has introduced and acquired other brands in the past, and may continue to do so in the future. The Company believes that the importance of brand recognition will increase as it expands its product offerings. Many of the Company's customers may not be aware of the Company's non-floral products. If the Company fails to advertise and market its products effectively, it may not succeed in establishing its brands and may lose customers leading to a reduction of revenues.

The Company’s success in promoting and enhancing the 1-800-FLOWERS.COM brands will also depend on its success in providing its customers high-quality products and a high level of customer service. If the Company’s customers do not perceive its products and services to be of high quality, the value of the 1-800-FLOWERS.COM brands would be diminished and the Company may lose customers and its revenues may decline.

A failure to establish and maintain strategic online relationships that generate a significant amount of traffic could limit the growth of the Company’s business. Although the Company expects a significant portion of its online customers will continue to come directly to its website, it will also rely on third party websites, search engines and affiliates with which the Company has strategic relationships for traffic. If these third-parties do not attract a significant number of visitors, the Company may not receive a significant number of online customers from these relationships and its revenues from these relationships may decrease or remain flat. There continues to be strong competition to establish or maintain relationships with leading Internet companies, and the Company may not successfully enter into additional relationships, or renew existing ones beyond their current terms. The Company may also be required to pay significant fees to maintain and expand existing relationships. The Company’s online revenues may suffer if it does not enter into new relationships or maintain existing relationships or if these relationships do not result in traffic sufficient to justify their costs.

If local florists and other third-party vendors do not fulfill orders to the Company’s customers' satisfaction, customers may not shop with the Company again. In many cases, floral orders placed by the Company’s customers are fulfilled by local independent florists, a majority of which are members of BloomNet. The Company does not directly control any of these florists. In addition, many of the non-floral products sold by the Company are manufactured and delivered to its customers by independent third-party vendors. If customers are dissatisfied with the performance of the local florist or other third-party vendors, they may not utilize the Company’s services when placing future orders and its revenues may decrease.

If a florist discontinues its relationship with the Company, the Company’s customers may experience delays in service or declines in quality and may not shop with the Company again. Many of the Company’s arrangements with local florists for order fulfillment may be terminated by either party with 10 days notice. If a florist discontinues its relationship with the Company, the Company will be required to obtain a suitable replacement located in the same geographic area, which may cause delays in delivery or a decline in quality, leading to customer dissatisfaction and loss of customers.

If a significant number of customers are not satisfied with their purchase, the Company will be required to incur substantial costs to issue refunds, credits or replacement products. The Company offers its customers a 100% satisfaction guarantee on its products. If customers are not satisfied with the products they receive, the Company will either replace the product for the customer or issue the customer a refund or credit. The Company’s net income would decrease if a significant number of customers request replacement products, refunds or credits and the Company is unable to pass such costs onto the supplier.

Increased shipping costs and labor stoppages may adversely affect sales of the Company’s products. Many of the Company's products are delivered to customers either directly from the manufacturer or from the Company’s fulfillment centers. The Company has established relationships with Federal Express, UPS and other common carriers for the delivery of these products. If these carriers were to increase the prices they charge to ship the Company’s goods, and the Company passes these increases on to its customers, its customers might choose to buy comparable products locally to avoid shipping charges. In addition, these carriers may experience labor stoppages, which could impact the Company’s ability to deliver products on a timely basis to our customers and adversely affect its customer relationships.

If the Company fails to continuously improve its website, it may not attract or retain customers. If potential or existing customers do not find the Company’s website a convenient place to shop, the Company may not attract or retain customers and its sales may suffer. To encourage the use of the Company’s website, it must continuously improve its accessibility, content and ease of use. Customer traffic and the Company’s business would be adversely affected if competitors' websites are perceived as easier to use or better able to satisfy customer needs.

Competition in the floral, plant, gift basket, gourmet food, and specialty gift industries is intense and a failure to respond to competitive pressure could result in lost revenues. There are many companies that offer products in these categories. In the floral category, the Company’s competitors include:

- retail floral shops, some of which maintain toll-free telephone numbers, and websites;
- online floral retailers;
- catalog companies that offer floral products;
- floral telemarketers and wire services; and
- supermarkets, mass merchants and specialty gift retailers with floral departments.

Similarly, the plant, gift basket, gourmet food, cookie, candy and specialty gift categories are highly competitive. Each of these categories encompasses a wide range of products and is highly fragmented. Products in these categories may be purchased from a number of outlets, including mass merchants, retail shops, online retailers and mail-order catalogs.

Competition is intense and the Company expects it to increase. Increased competition could result in:

- price reductions, decreased revenue and lower profit margins;
- loss of market share; and
- increased marketing expenditures.

These and other competitive factors could materially and adversely affect the Company's results of operations.

If the Company does not accurately predict customer demand for its products, it may lose customers or experience increased costs. In the past, the Company did not need to maintain a significant inventory of products. However, as the Company expands the volume of non-floral products offered to its customers, the Company is required to increase inventory levels and the number of products maintained in its warehouses. If the Company overestimates customer demand for its products, excess inventory and outdated merchandise could accumulate, tying up working capital and potentially resulting in reduced warehouse capacity and inventory losses due to damage, theft and obsolescence. If the Company underestimates customer demand, it may disappoint customers who may turn to its competitors. Moreover, the strength of the 1-800-FLOWERS.COM brands could be diminished due to misjudgments in merchandise selection.

If the supply of flowers for sale becomes limited, the price of flowers could rise or flowers may be unavailable and the Company's revenues and gross margins could decline. A variety of factors affect the supply of flowers in the United States and the price of the Company's floral products. If the supply of flowers available for sale is limited due to weather conditions, farm closures, economic conditions, or other factors, prices for flowers could rise and customer demand for the Company's floral products may be reduced, causing revenues and gross margins to decline. Alternatively, the Company may not be able to obtain high quality flowers in an amount sufficient to meet customer demand. Even if available, flowers from alternative sources may be of lesser quality and/or may be more expensive than those currently offered by the Company.

Most of the flowers sold in the United States are grown by farmers located abroad, primarily in Colombia, Ecuador and Holland, and the Company expects that this will continue in the future. The availability and price of flowers could be affected by a number of factors affecting these regions, including:

- import duties and quotas;
- agricultural limitations and restrictions to manage pests and disease;
- changes in trading status;
- economic uncertainties and currency fluctuations;
- severe weather;
- work stoppages;
- foreign government regulations and political unrest; and
- trade restrictions, including United States retaliation against foreign trade practices.

The Company's franchisees may damage its brands or increase its costs by failing to comply with its franchise agreements or its operating standards. The Company's franchise business is governed by its Uniform Franchise Disclosure Document, franchise agreements and applicable franchise law. If the Company's franchisees do not comply with its established operating standards or the terms of the franchise agreements, the 1-800-FLOWERS.COM brands may be damaged. The Company may incur significant additional costs, including time-consuming and expensive litigation, to enforce its rights under the franchise agreements. Additionally, the Company is the primary tenant on certain leases, which the franchisees sublease from the Company. If a franchisee fails to meet its obligations as subtenant, the Company could incur significant costs to avoid default under the primary lease. Furthermore, as a franchiser, the Company has obligations to its franchisees. Franchisees may challenge the performance of the Company's obligations under the franchise agreements and subject it to costs in defending these claims and, if the claims are successful, costs in connection with their compliance.

If third parties acquire rights to use similar domain names or phone numbers or if the Company loses the right to use its phone numbers, its brands may be damaged and it may lose sales. The Company’s Internet domain names are an important aspect of its brand recognition. The Company cannot practically acquire rights to all domain names similar to www.1800flowers.com, or its other brands, whether under existing top level domains or those issued in the future. If third parties obtain rights to similar domain names, these third parties may confuse the Company’s customers and cause its customers to inadvertently place orders with these third parties, which could result in lost sales and could damage its brands.

Likewise, the phone number that spells 1-800-FLOWERS is important to the Company’s brand and its business. While the Company has obtained the right to use the phone numbers 1-800-FLOWERS, 1-888-FLOWERS and 1-877-FLOWERS, as well as common toll-free "FLOWERS" misdials, it may not be able to obtain rights to use the FLOWERS phone number as new toll-free prefixes are issued, or the rights to all similar and potentially confusing numbers. If third parties obtain the phone number which spells "FLOWERS" with a different prefix or a toll-free number similar to FLOWERS, these parties may also confuse the Company’s customers and cause lost sales and potential damage to its brands. In addition, under applicable FCC rules, ownership rights to phone numbers cannot be acquired. Accordingly, the FCC may rescind the Company’s right to use any of its phone numbers, including 1-800-FLOWERS (1-800-356-9377).

Computer system disruption and cyber security threats, including a privacy or data security breach, could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business. We depend on digital technologies for the successful operation of our business, including corporate email communications to and from employees, customers and retail operations, the design, manufacture and distribution of our finished goods, digital marketing efforts, collection and retention of customer data, employee information, the processing of credit card transactions, online e-commerce activities and our interaction with the public in the social media space. The possibility of a cyber-attack on any one or all of these systems is always a serious threat and consumer awareness and sensitivity to privacy breaches and cyber security threats is at an all-time high.

As part of our business model, we collect, retain, and transmit confidential information over public networks. In addition to our own databases, we use third party service providers to store, process and transmit this information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in the future either at their location or within their systems. We have confidential security measures in place to protect both our physical facilities and digital systems from attacks. Despite these efforts, we may be vulnerable to targeted or random security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events.

Given the robust nature of our e-commerce presence and digital strategy, it is imperative that we and our e-commerce partners maintain uninterrupted operation of our: (i) computer hardware, (ii) software systems, (iii) customer marketing databases, and (iv) ability to email our current and potential customers. Any material disruptions in our e-commerce presence or information technology systems could have a material adverse effect on our business, financial condition and results of operations.

The Company's business could be injured by significant credit card, debit card and gift card fraud. Customers typically pay for their on-line or telephone orders with debit or credit cards as well as a portion of their orders using gift cards. The Company's revenues and gross margins could decrease if it experienced significant credit card, debit card and gift card fraud. Failure to adequately detect and avoid fraudulent credit card, debit card and gift card transactions could cause the Company to lose its ability to accept credit cards or debit cards as forms of payment and/or result in charge-backs of the fraudulently charged amounts and/or significantly decrease revenues. Furthermore, widespread credit card, debit card and gift card fraud may lessen the Company's customers' willingness to purchase products through the Company's websites or toll-free telephone numbers. For this reason, such failure could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Unexpected system interruptions caused by system failures may result in reduced revenues and harm to the Company's brand. In the past, particularly during peak holiday periods, the Company has experienced significant increases in traffic on its website and in its toll-free customer service centers. The Company's operations are dependent on its ability to maintain its computer and telecommunications systems in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. The Company's systems have in the past, and may in the future, experience:

- system interruptions;
- long response times; and
- degradation in service.

16

The Company’s business depends on customers making purchases on its systems. Its revenues may decrease and its reputation could be harmed if it experiences frequent or long system delays or interruptions or if a disruption occurs during a peak holiday season.

If the Company’s telecommunications providers do not adequately maintain the Company’s telephone service, the Company may experience system failures and its revenues may decrease. The Company is dependent on telecommunication providers to provide telephone services to its customer service centers. Although the Company maintains redundant telecommunications systems, if these providers experience system failures or fail to adequately maintain the Company’s systems, the Company may experience interruptions and its customers might not continue to utilize its services. If the Company loses its telephone service, it will be unable to generate revenue. The Company’s future success depends upon these third-party relationships because it does not have the resources to maintain its telephone service without these or other third parties. Failure to maintain these relationships or replace them on financially attractive terms may disrupt the Company’s operations or require it to incur significant unanticipated costs.

The Company's operating results may suffer due to economic, political and social unrest or disturbances. Like other American businesses, the Company is unable to predict what long-term effect acts of terrorism, war, or similar unforeseen events may have on its business. The Company’s results of operations and financial condition could be adversely impacted if such events cause an economic slowdown in the United States, or other negative effects that cannot now be anticipated.

If the Company is unable to hire and retain key personnel, its business may suffer. The Company’s success is dependent on its ability to hire, retain and motivate highly qualified personnel. In particular, the Company’s success depends on the continued efforts of its Chairman and Chief Executive Officer, James F. McCann, and its President, Christopher G. McCann, as well as its senior management team which help manage its business. The loss of the services of any of the Company’s executive management or key personnel or its inability to attract qualified additional personnel could cause its business to suffer and force it to expend time and resources in locating and training additional personnel.

Many governmental regulations may impact the Internet, which could affect the Company’s ability to conduct business. Any new law or regulation, or the application or interpretation of existing laws, may decrease the growth in the use of the Internet or the Company’s website. The Company expects there will be an increasing number of laws and regulations pertaining to the Internet in the United States and throughout the world. These laws or regulations may relate to liability for information received from or transmitted over the Internet, online content regulation, user privacy, taxation and quality of products and services sold over the Internet. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. This could decrease the demand for the Company’s products, increase its costs or otherwise adversely affect its business.

Regulations imposed by the Federal Trade Commission may adversely affect the growth of the Company's Internet business or its marketing efforts. The Federal Trade Commission has proposed regulations regarding the collection and use of personal identifying information obtained from individuals when accessing websites, with particular emphasis on access by minors. These regulations may include requirements that the Company establish procedures to disclose and notify users of privacy and security policies, obtain consent from users for collection and use of information and provide users with the ability to access, correct and delete personal information stored by the Company. These regulations may also include enforcement and redress provisions. Moreover, even in the absence of those regulations, the Federal Trade Commission has begun investigations into the privacy practices of other companies that collect information on the Internet. One investigation resulted in a consent decree under which an Internet company agreed to establish programs to implement the principles noted above. The Company may become a party to a similar investigation, or the Federal Trade Commission's regulatory and enforcement efforts, or those of other governmental bodies, may adversely affect its ability to collect demographic and personal information from users, which could adversely affect its marketing efforts.

Unauthorized use of the Company's intellectual property by third parties may damage its brands. Unauthorized use of the Company's intellectual property by third parties may damage its brands and its reputation and may likely result in a loss of customers. It may be possible for third parties to obtain and use the Company's intellectual property without authorization. Third parties have in the past infringed or misappropriated the Company's intellectual property or similar proprietary rights. The Company believes infringements and misappropriations will continue to occur in the future. Furthermore, the validity, enforceability and scope of protection of intellectual property in Internet-related industries is uncertain and still evolving. The Company has been unable to register certain of its intellectual property in some foreign countries and furthermore, the laws of some foreign countries are uncertain or do not protect intellectual property rights to the same extent as do the laws of the United States.

Defending against intellectual property infringement claims could be expensive and, if the Company is not successful, could disrupt its ability to conduct business. The Company has been unable to register certain of its intellectual properties in some foreign countries, including, “1-800-Flowers.com”, “1-800-Flowers” and “800-Flowers”. The Company cannot be certain that the products it sells, or services it offers, do not or will not infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties. The Company may be a party to legal proceedings and claims relating to the intellectual property of others from time to time in the ordinary course of its business. The Company may incur substantial expense in defending against these third-party infringement claims, regardless of their merit. Successful infringement claims against the Company may result in substantial monetary liability or may materially disrupt its ability to conduct business.

The Company does not collect sales or consumption taxes in some jurisdictions. In addition to the Company’s retail store operations, the Company collects sales or other similar taxes in states where the Company’s ecommerce channel has applicable nexus. Our customer service and fulfillment networks, and any further expansion of those networks, along with other aspects of our evolving business, may result in additional sales and use tax obligations. Currently, U.S. Supreme Court decisions restrict the imposition of obligations to collect state and local sales taxes with respect to remote sales. However, an increasing number of states have considered or adopted laws that attempt to impose obligations on out-of-state retailers to collect taxes on their behalf. A successful assertion by one or more states that we should collect sales or other taxes where we do not do so could result in substantial tax liabilities, including for past sales, penalties and interest, as well as decrease our ability to compete with traditional retailers, and otherwise harm our business.

A failure to integrate our acquisitions may cause the results of the acquired company, as well as the results of the Company to suffer. The Company has opportunistically acquired a number of companies over the past several years. Additionally the Company may look to acquire additional companies in the future. As part of the acquisition process, the Company embarks upon a project management effort to integrate the acquisition onto our information technology systems and management processes. If we are unsuccessful in integrating our acquisitions, the results of our acquisitions may suffer, management may have to divert valuable resources to oversee and manage the acquisitions, the Company may have to expend additional investments in the acquired company to upgrade personnel and/or information technology systems and the results of the Company may suffer.

A failure to dispose of assets or businesses in a timely manner may cause the results of the Company to suffer. The Company continues to evaluate the potential disposition of assets and businesses that may no longer help it meet its objectives. When the Company decides to sell assets or a business, it may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of its strategic objectives. Alternatively, the Company may dispose of a business at a price or on terms that are less than it had anticipated. After reaching an agreement with a buyer or seller for the disposition of a business, the Company is subject to satisfaction of pre-closing conditions, which may prevent the Company from completing the transaction. Dispositions may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside the Company’s control could affect its future financial results.

Product liability claims may subject the Company to increased costs. Several of the products the Company sells, including perishable food and alcoholic beverage products may expose it to product liability claims in the event that the use or consumption of these products results in personal injury or property damage. Although the Company has not experienced any material losses due to product liability claims to date, it may be a party to product liability claims in the future and incur significant costs in their defense. Product liability claims often create negative publicity, which could materially damage the Company's reputation and its brands. Although the Company maintains insurance against product liability claims, its coverage may be inadequate to cover any liabilities it may incur.

The price at which the Company's Class A common stock will trade may be highly volatile and may fluctuate substantially. The stock market has from time to time experienced price and volume fluctuations that have affected the market prices of securities, particularly securities of companies with Internet operations. As a result, investors may experience a material decline in the market price of the Company's Class A common stock, regardless of the Company's operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. The Company may become involved in this type of litigation in the future. Litigation of this type is often expensive and diverts management's attention and resources and could have a material adverse effect on the Company's business and its results of operations.

Additional Information

The Company's internet address is www.1800flowers.com. We make available, through the investor relations tab located on our website at www.1800flowersinc.com, access to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. All such filings on our investor relations website are available free of charge. (The information posted on the Company's website is not incorporated into this Annual Report of Form 10-K.)

A copy of this annual report on Form 10-K is available without charge upon written request to: Investor Relations, 1-800-FLOWERS.COM, Inc., One Old Country Road, Suite 500, Carle Place, NY 11514. In addition, the SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1B. Unresolved Staff Comments

We have received no written comments regarding our current or periodic reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal year ended June 29, 2014 that remain unresolved.

Item 2. PROPERTIES

The table below lists the Company’s properties at June 29, 2014:

Location	Type	Principal Use	Square Footage	Ownership
Wilmington, DE	Office and warehouse	Distribution, administrative and customer service	9,900	leased
Jacksonville, FL	Office and warehouse	Distribution and administrative	180,000	owned
Lake Forest, IL	Office, plant and warehouse	Manufacturing, distribution and administrative	148,000	leased
Melrose Park, IL	Office and warehouse	Distribution, administrative and customer service	249,000	leased
Reno, NV	Warehouse	Distribution	70,000	leased
Carle Place, NY	Office	Headquarters and customer service	92,000	leased
New York, NY	Office	Administrative	3,700	leased
Cedar Falls, IA	Office	Administrative	3,300	leased
Akron, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	189,000	leased
Maple Heights, OH	Warehouse	Distribution	341,800	leased
Miami, FL	Office	Administrative	900	leased
Obetz, OH	Warehouse	Distribution	176,000	leased
Memphis, TN	Warehouse	Distribution	40,000	leased
Westerville, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	44,000	owned
Burnley, UK	Office	Administrative	6,000	leased

In addition to the above properties, the Company leases approximately 173,000 square feet for owned or franchised retail stores and local fulfillment centers with lease terms typically ranging from 5 to 20 years. Some of its leases provide for a minimum rent plus a percentage rent based upon sales after certain minimum thresholds are achieved. The leases generally require the Company to pay insurance, utilities, real estate taxes and repair and maintenance expenses. In general, our properties are well maintained, adequate and suitable for their purposes.

Item 3. LEGAL PROCEEDINGS

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

On November 10, 2010, a purported class action complaint was filed in the United States District Court for the Eastern District of New York naming the Company (along with Trilegiant Corporation, Inc., Affinion, Inc. and Chase Bank USA, N.A.) as defendants in an action purporting to assert claims against the Company alleging violations arising under the Connecticut Unfair Trade Practices Act ("CUTPA") among other statutes, and for breach of contract and unjust enrichment in connection with certain post-transaction marketing practices in which certain of the Company's subsidiaries previously engaged in with certain third-party vendors. On December 23, 2011, plaintiff filed a notice of voluntary dismissal seeking to dismiss the entire action without prejudice. The court entered an Order on November 28, 2012, dismissing the case in its entirety. This case was subsequently refiled in the United States District Court for the District of Connecticut.

On March 6, 2012 and March 15, 2012, two additional purported class action complaints were filed in the United States District Court for the District of Connecticut naming the Company and numerous other parties as defendants in actions purporting to assert claims substantially similar to those asserted in the lawsuit filed on November 10, 2010. In each case, plaintiffs seek to have the respective case certified as a class action and seek restitution and other damages, each in an amount in excess of $5.0 million. On April 26, 2012, the two Connecticut cases were consolidated with a third case previously pending in the United States District Court for the District of Connecticut in which the Company is not a party (the "Consolidated Action"). A consolidated amended complaint was filed by plaintiffs on September 7, 2012, purporting to assert claims substantially similar to those originally asserted. The Company moved to dismiss the consolidated amended complaint on December 7, 2012, which was subsequently refiled at the direction of the Court on January 16, 2013.

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

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

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

There are no assurances that additional legal actions will not be instituted in connection with the Company’s former post-transaction marketing practices involving third party vendors nor can we predict the outcome of any such legal action. At this time, we are unable to estimate a possible loss or range of possible loss for the aforementioned actions for various reasons, including, among others: (i) the damages sought are indeterminate, (ii) the proceedings are in the very early stages and the court has not yet ruled as to whether the classes will be certified, and (iii) there is uncertainty as to the outcome of pending motions. As a result of the foregoing, we have determined that the amount of possible loss or range of loss is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which may be beyond our control.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following individuals were serving as executive officers of the Company and certain of its subsidiaries on September 12, 2014:

Name	Age	Position with the Company
James F. McCann	63	Chairman of the Board and Chief Executive Officer
Christopher G. McCann	53	Director and President
Arnie Leap	46	Chief Information Officer
Gerard M. Gallagher	61	Senior Vice President, General Counsel, and Corporate Secretary
Mark L. Nance	64	President, BloomNet
William E. Shea	55	Senior Vice President, Treasurer and Chief Financial Officer
David Taiclet	51	President of Gourmet Foods and Gift Baskets
Thomas Hartnett	51	President, Consumer Floral

James F. McCann has served as the Company's Chairman of the Board and Chief Executive Officer since inception. Mr. McCann has been in the floral industry since 1976 when he began a retail chain of flower shops in the New York metropolitan area. Mr. McCann is a member of the board of directors of Willis Holdings Group. James F. McCann is the brother of Christopher G. McCann, a Director and the President of the Company.

Christopher G. McCann has been the Company's President since September 2000 and prior to that had served as the Company's Senior Vice President. Mr. McCann has been a Director of the Company since inception. In June 2010, Mr. McCann was also named President of the Floral Group, which consists of the Consumer Floral and BloomNet Wire Service businesses. Mr. McCann is a member of the Board of Trustees of Marist College. Christopher G. McCann is the brother of James F. McCann, the Company's Chairman of the Board and Chief Executive Officer.

Arnie Leap has been the Company’s Chief Information Officer since November 2013. Mr. Leap served as the Executive Vice President and Chief Technology Officer for Direct Insite Corp. from November 2000 until joining the Company. Mr. Leap served in various positions with Direct Insite, including the Executive Vice President Channel Sales and Executive Vice President Sales and Marketing. Mr. Leap's background includes senior management positions with over 20 years experience in the technology sector.

Gerard M. Gallagher has been the Company's Senior Vice President, General Counsel and Corporate Secretary since August 1999 and has been providing legal services to the Company since its inception. Mr. Gallagher is the founder and a managing partner in the law firm Gallagher, Walker, Bianco and Plastaras, based in Mineola, New York, specializing in corporate, litigation and intellectual property matters since 1993. Mr. Gallagher is duly admitted to practice before the New York State Courts and the United States District Courts of both the Eastern District and Southern District of New York.

Mark L. Nance has been President of BloomNet since August 2006. Before holding his current position, Mr. Nance was a Senior Vice President, Sales and Marketing for BloomNet after joining us in December 2004. Before joining us, Mr. Nance was an Executive Vice President and General Manager with Teleflora, LLC from November 2000 until June 2004 and held various senior level positions at American Floral Services, Inc. from 1983 to 2000.

William E. Shea has been the Company’s Senior Vice President, Treasurer and Chief Financial Officer since September 2000. Before holding his current position, Mr. Shea was Vice President of Finance and Corporate Controller after joining the Company in April 1996. From 1980 until joining the Company, Mr. Shea was a certified public accountant with Ernst & Young LLP.

David Taiclet has been the Company’s President of Gourmet Foods and Gift Baskets since June 2009. Mr. Taiclet served as Chief Executive Officer of the Fannie May Confections Brands from April 2006 to June 2009. Prior thereto and commencing in January 1995, Mr. Taiclet was a Co-Founder of a business that ultimately became known as Fannie May Confections Brands, Inc. (formerly Alpine Confections, Inc.), a multi-branded and multi-channel retailer, manufacturer, and distributor of confectionery and specialty food products. From May 1991 to January 1995, Mr. Taiclet served in a variety of management positions with Cargill, Inc, including the Strategy and Business Development Group. Cargill, Inc. is an international marketer, processor and distributor of food, financial and industrial products. Mr. Taiclet also served four years of active duty in the U.S. Army, attaining the rank of Captain.

Thomas Harnett has been the Company’s President of Consumer Floral since October 2013. Previously, he was the Company's SVP and CFO of the Consumer Floral Brand since April 2010. Mr. Harnett had previously served as the Company's SVP and COO of the Consumer Floral Brand from June 2006 through April 2010. Prior to this role, Mr. Hartnett was Senior Vice President of Retail and Fulfillment from September 2000. Before holding these positions, Mr. Hartnett held various positions within the Company since joining in 1991, including Controller, Director of Store Operations, Vice President of Retail Operations and Vice President of Strategic Development. Prior to joining the Company, Mr. Hartnett was a certified public accountant with Ernst & Young LLP.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The NASDAQ Global Select Market under the ticker symbol "FLWS." There is no established public trading market for the Company's Class B common stock. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the fiscal years ended June 29, 2014 and June 30, 2013.

	High	Low
Year ended June 29, 2014		
July 1, 2013 – September 29, 2013	$7.17	$5.15
September 30, 2013 – December 29, 2013	$5.75	$4.53
December 30, 2013 – March 30, 2014	$5.88	$4.65
March 31, 2014 – June 29, 2014	$5.95	$4.97
Year ended June 30, 2013		
July 2, 2012 – September 30, 2012	$4.12	$3.13
October 1, 2012 – December 30, 2012	$3.93	$2.77
December 31, 2012 – March 31, 2013	$5.12	$3.45
April 1, 2013 – June 30, 2013	$6.60	$4.75

Rights of Common Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

Holders

As of August 29, 2014, there were approximately 263 stockholders of record of the Company’s Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of August 29, 2014, there were approximately 15 stockholders of record of the Company’s Class B common stock.

Dividend Policy

The Company has never declared or paid any cash dividends on its Class A or Class B common stock. Although the Company has no current intent to do so, the Company may choose, at some future date, to use some portion of its cash for the purpose of cash dividends.

Purchases of Equity Securities by the Issuer

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

The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended June 29, 2014, which includes the period July 1, 2013 through June 29, 2014:

Period	**Total Number of Shares Purchased**	**Average Price Paid Per Share (1)**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)**
	(in thousands, except average price paid per share)			
07/01/13 – 07/28/13	10.0	$ 5.97	10.0	$ 18,889
07/29/13 – 08/25/13	0.5	$ 5.99	0.5	$ 18,886
08/26/13 – 09/29/13	301.4	$ 5.38	301.4	$ 17,253
09/30/13 – 10/27/13	393.6	$ 5.43	393.6	$ 15,111
10/28/13 – 11/24/13	420.7	$ 5.11	420.6	$ 12,959
11/25/13 – 12/29/13	106.2	$ 5.04	106.2	$ 12,419
12/30/13 – 01/26/14	82.7	$ 5.16	82.7	$ 11,989
01/27/14 – 02/23/14	38.3	$ 5.01	38.3	$ 11,797
02/24/14 – 03/30/14	48.5	$ 5.55	48.5	$ 11,526
03/31/14 – 04/27/14	93.1	$ 5.58	93.1	$ 11,005
04/28/14 – 05/25/14	19.4	$ 5.54	19.4	$ 10,899
05/26/14 – 06/29/14	46.9	$ 5.56	46.9	$ 10,632
Total	1,561.2	$ 5.31	1,561.2	

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

Item 6. SELECTED FINANCIAL DATA

The selected consolidated statement of operations data for the years ended June 29, 2014, June 30, 2013, and July 1, 2012 and the consolidated balance sheet data as of June 29, 2014 and June 30, 2013, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for the years ended July 3, 2011 and June 27, 2010, and the selected consolidated balance sheet data as of July 1, 2012, July 3, 2011 and June 27, 2010, are derived from the Company's audited consolidated financial statements which are not included in this Annual Report on Form 10-K.

The following tables summarize the Company's consolidated statement of operations and balance sheet data. The Company acquired 16 franchised stores from GB Chocolates on June 27, 2014, iFlorist in December 2013, Pingg Corp in May 2013, Flowerama in August 2011, Fine Stationery, Inc. in May 2011 and Mrs. Beasley's Bakery LLC in March 2011. The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, 2011 and 2010, and the results of the e-commerce and procurement businesses as discontinued operations for all periods presented. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report on Form 10-K.

	Years ended				
	June 29, 2014	**June 30, 2013**	**July 1, 2012**	**July 3, 2011**	**June 27, 2010**
Consolidated Statement of Operations Data:	*(in thousands, except per share data)*				
Net revenues	$756,345	$735,497	$707,517	$661,389	$644,913
Cost of revenues	440,672	430,305	414,940	386,296	383,981
Gross profit	315,673	305,192	292,577	275,093	260,932
Operating expenses:					
Marketing and sales	194,847	186,720	181,199	171,960	169,396
Technology and development	22,518	21,700	20,426	20,109	17,581
General and administrative	54,754	52,188	51,474	48,701	48,468
Depreciation and amortization	19,848	18,798	19,540	20,237	20,257
Total operating expenses	291,967	279,406	272,639	261,007	255,702
Gain on sale of stores	-	-	3,789	-	-
Operating income	23,706	25,786	23,727	14,086	5,230
Interest expense and other, net	(1,357)	(991)	(2,635)	(3,993)	(5,548)

Income (loss) from continuing operations before income taxes	22,349	24,795	21,092	10,093	(318)
Income tax expense from continuing operations	8,403	9,073	7,771	3,903	465
Income (loss) from continuing operations	13,946	15,722	13,321	6,190	(783)
Income (loss) from discontinued operations, net of tax	729	(3,401)	4,325	(468)	(3,437)
Net income (loss)	14,675	12,321	17,646	5,722	$(4,220)
Less: Net loss attributable to noncontrolling interest	(697)	-	-	-	-
Net income attributable to 1-800-FLOWERS.COM, Inc.	$15,372	$12,321	$17,646	$5,722	$(4,220)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	$0.23	$0.24	$0.21	$0.10	$(0.01)
From discontinued operations	$0.01	(0.05)	0.07	(0.01)	(0.05)
Basic net income per common share	$0.24	$0.19	$0.27	$0.09	$(0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	$0.22	$0.24	$0.20	$0.10	$(0.01)
From discontinued operations	$0.01	(0.05)	0.07	(0.01)	(0.05)
Diluted net income per common share	$0.23	$0.19	$0.27	$0.09	$(0.07)
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	64,035	64,369	64,697	64,001	63,635
Diluted	66,460	66,792	66,239	65,153	63,635

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

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) is intended to provide an understanding of our financial condition, change in financial condition, cash flow, liquidity and results of operations. The following MD&A discussion should be read in conjunction with the consolidated financial statements and notes to those statements that appear elsewhere in this Form 10-K. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed under the caption "Forward-Looking Information" and under Item 1A — "Risk Factors."

Description of Business

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 35 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM has been honored in Internet Retailer's "Top 500 Guide" for 2014. Of Internet Retailer's "2013 Top 100 E-Retailers," 1-800-FLOWERS.COM was named one of 12 e-retailers that LightningBuy mobile analysts deemed "exceptional user interface for consumers using guest checkout." 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards. 1-800-FLOWERS.COM is rated EXCELLENT by StellaService which represents a general high quality of service for its customer service performance.

The Company's BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably.
The 1-800-FLOWERS.COM "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from: The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl's® (1-800-443-8124 or www.cheryls.com); premium chocolates and confections from Fannie May® confections brands (www.fanniemay.com and www.harrylondon.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); incredible, carved fresh fruit arrangements from FruitBouquets.com℠ (www.fruitbouquets.com); top quality steaks and chops from Stock Yards® (www.stockyards.com); as well as premium branded customizable invitations and personal stationery from FineStationery.com® (www.finestationery.com). The Company's Celebrations® brand (www.celebrations.com) is a source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday.

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

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. The Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and the results of the e-commerce and procurement business of Winetasting Network as discontinued operations for all periods presented.

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

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company’s products is affected by the financial health of our customers, which is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. During the recent economic downturn, the demand for our products, and accordingly our financial results, compared to pre-recessionary levels, has been adversely affected by the reduction in consumer spending.

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

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

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

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

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

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

Know and Take Care of Our Customer – by providing the right products and the best services with consistent, excellent quality and value to help them express themselves and deliver smiles. 1-800-FLOWERS.COM was awarded the 2014 Silver Stevie Award, recognizing the organization's outstanding Customer Service and commitment to our 100% Smile Guarantee. 1-800-FLOWERS.COM is rated "EXCELLENT" by StellaService.

Maintain and enhance our Financial Strength and Flexibility - by seeking ways to reduce our operating costs while strengthening our balance sheet and adding flexibility to our capital structure. During fiscal 2010, the Company completed the sale of its non-strategic Home and Children's Gifts business and used the proceeds to further pay down term debt, strengthening its balance sheet and revising its bank credit facility to provide additional flexibility; in the fourth quarter of fiscal 2013, the Company paid off all of its long-term debt and closed on a new, cost efficient bank credit facility; and in the second quarter of fiscal 2014, the Company completed the sale of the Winetasting Network.
Continue to Innovate and Invest for the Future – by investing in technology and new growth opportunities 1-800-FLOWERS.COM has been honored in Internet Retailer's "Top 500 Guide" for 2014. Of Internet Retailer's "2013 Top 100 E-Retailers," 1-800-FLOWERS.COM was named one of 12 e-retailers that LightningBuy mobile analysts deemed "exceptional user interface for consumers using guest checkout." 1-800-FLOWERS.COM received a Gold Award for Best User Experience on a Mobile Optimized Site for the 2013 Horizon Interactive Awards.

Faced with a still challenging economic climate, these strategic investments, coupled with improved manufacturing and labor efficiency plans and more targeted and efficient advertising spend, will not only generate revenue growth and consumer loyalty but position the Company to achieve its strategic, financial and operational objectives in the coming year, which in turn will build shareholder value.

Category Information

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

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

Gross Profit from Continuing Operations:	Years Ended June 29, 2014	% Change	June 30, 2013	% Change	July 1, 2012
		(dollars in thousands)			
Gross profit:					
1-800-Flowers.com Consumer Floral	$164,792	0.7 %	$163,726	5.7 %	$154,892
	39.1 %		39.8 %		38.9 %
BloomNet Wire Service	44,900	7.7 %	41,674	7.6 %	38,737
	53.3 %		50.9 %		46.9 %
Gourmet Food & Gift Baskets	105,092	6.3 %	98,839	0.5 %	98,382

	41.7 %		40.6 %		43.1 %
Corporate	889	(6.7%)	953	68.4 %	566
Intercompany eliminations	-		-		-
Total gross profit from continuing operations	$315,673	3.4 %	$305,192	4.3 %	$292,577
	41.7 %		41.5 %		41.4 %

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

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

Discontinued operations:	Years Ended June 29, 2014	June 30, 2013	July 1, 2012
		(dollars in thousands)	

Net revenues from discontinued operations	$1,669	$5,154	$10,743
Gross profit from discontinued operations	$429	$149	$1,787
EBITDA from discontinued operations	$(868)	$(2,769)	$(672)

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

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

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

(**) Performance is measured based on segment contribution margin or segment Adjusted EBITDA, reflecting only the direct controllable revenue and operating expenses of the segment. As such, management's measure of profitability for these segments does not include the effect of corporate overhead, described above, depreciation and amortization, other income (net), nor does it include one-time gains or charges. Management utilizes EBITDA, and adjusted financial information, as a performance measurement tool because it considers such information a meaningful supplemental measure of its performance and believes it is frequently used by the investment community in the evaluation of companies with comparable market capitalization. The Company also uses EBITDA and adjusted financial information as one of the factors used to determine the total amount of bonuses available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and adjusted financial information to measure compliance with covenants such as interest coverage and debt incurrence. EBITDA and adjusted financial information is also used by the Company to evaluate and price potential acquisition candidates. EBITDA and adjusted financial information have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of these limitations are: (a) EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

(***) Gourmet Food & Gift Baskets segment contribution margin during the fiscal year ended July 1, 2012, includes a $3.8 million gain ($2.4 million, net of tax) on the sale of 17 Fannie May retail stores.

Results of Operations

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

Net Revenues

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

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

During the fiscal year ended June 29, 2014, revenues increased by 2.8% in comparison to the prior year as a result of revenue growth across all business segments. This growth was driven by: i) a combination of new product initiatives and increased marketing efforts focusing on the Company's "everyday" and "Just 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 by, iii) the continuation of a difficult macro-economic climate, especially for the sellers of discretionary products. Adjusting for the pro-forma impact of the revenue associated with the acquisition of a majority interest of iFlorist, revenue increased approximately 1.8% during the year ended June 29, 2014.

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

E-commerce revenues (combined online and telephonic) increased by 2.3% during the year ended June 29, 2014 and 4.7% during the year ended June 30, 2013. Revenue growth was attributable to: i) improved merchandising programs (including the development of innovative and original products such as the expanded line of a-DOG-ables, Cheryl's cookie cards and Fannie May Berries), designed to "wow" our customers' gift recipients, ii) our "Just Because" and "Never Settle For Less" marketing campaigns, and iii) the impact of the acquisition of iFlorist in December 2013. During fiscal 2014, these efforts were partially offset by the severe weather which impacted all of the Company's brands, especially during the 2014 Valentine holiday. The Company fulfilled approximately 9.1 million, 8.9 million and 8.2 million e-commerce orders during fiscal 2014, 2013 and 2012, respectively, while average order value was $60.09 in fiscal 2014 compared to $60.59 in fiscal 2013 and $62.26 in fiscal 2012.

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

The 1-800-Flowers.com Consumer Floral segment includes the operations of the 1-800-Flowers and iFlorist brands, and derives revenue from the sale of consumer floral products through its e-commerce sales channels (telephonic and online sales), royalties from its franchise operations, as well as the operations of Fine Stationery, an e-commerce retailer of personalized stationery, invitations and announcements. Net revenues during the fiscal years ended June 29, 2014 and June 30, 2013 increased by 2.4% and 3.4% over the respective prior year periods, due to increased order volumes, driven by enhanced marketing and merchandising programs that encourage our customers to “wow” their gift recipients and “Never Settle For Less.” Excluding the impact of the acquisition of iFlorist in December 2013, fiscal 2014 revenue growth within the 1-800-Flowers.com Consumer Floral segment was 0.6%.

The BloomNet Wire Service segment includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during the fiscal year ended June 29, 2014 increased 2.9%, as a result of higher membership fees and transaction revenues, driven in part by pricing initiatives and increases in order volume from 1-800-Flowers.com and other BloomNet members, reflecting continued increases in market penetration for the Company’s expanded suite of products and services. Net revenues during the fiscal year ended June 30, 2013 decreased by 0.9%, compared to the prior year, as a result of a decline in lower margin shop-to-shop order volume and a decline in wholesale product sales, partially offset by growth in high margin services, including web marketing, directory advertising and the florist selection guide.

The Gourmet Food & Gift Baskets segment includes the operations of Cheryl’s (which includes Mrs. Beasley’s), Fannie May Confections, The Popcorn Factory, 1-800-Baskets/DesignPac, and Stockyards.com businesses. Revenue is derived from the sale of cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops through its e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Cheryl’s and Fannie May brand names, royalties from Fannie May franchise operations (see below), as well as wholesale operations. Net revenue during the fiscal year ended June 29, 2014 and June 30, 2013, increased by 3.6% and 6.7%, respectively, in comparison to the prior years. The growth for fiscal year ended June 29, 2014 was primarily due to Cheryl’s e-commerce growth and the continued rebound in DesignPac wholesale gift basket sales, partially offset by the impact of the severe weather during the year. Growth during the fiscal year ended June 30, 2013 was primarily due to e-commerce growth from Cheryl’s and The Popcorn Factory brands due to new product introductions, including items such as, “cookie bouquets” and “cookie cards”, and the recovery of DesignPac’s wholesale gift basket sales, which rebounded after several years of declines, partially offset by a decline in Fannie May wholesale volume.

For fiscal 2015, the Company expects to grow revenues across all three of its business segments with consolidated revenue growth for the year anticipated to be in the mid-single-digit range. In June 2014, the Company terminated its franchise agreement with GB Chocolates and acquired 16 Fannie May stores GB had been operating under the agreement (as such, in fiscal 2015, retail store sales growth will replace franchise revenues.)

Gross Profit

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

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

Gross profit increased 3.4% during the fiscal year ended June 29, 2014, in comparison to the prior year period, due to the aforementioned revenue growth, including the acquisition of a majority interest in iFlorist, combined with a 20 basis point expansion of gross margin percentage, primarily attributable to improvements within the Gourmet Food & Gift Basket and BloomNet WireService segments, partially offset by the impact of higher customer credits associated with the severe weather experienced during the Valentine holiday. Gross profit increased during the fiscal year ended June 30, 2013, in comparison to the prior year period, due to the aforementioned revenue growth, combined with gross margin expansion. The Company’s gross margin percentage increased 10 basis points as a result of improvements within the Consumer Floral segment, as well as BloomNet, partially related to sales mix, offset in part by an overall decrease in the gross margin percentage achieved by the Gourmet Food & Gift Baskets segment, resulting from operational difficulties experienced by the Fannie May brand.

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

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

The Gourmet Food & Gift Baskets segment gross profit increased by 6.3% during the fiscal year ended June 29, 2014, in comparison to the prior year, due to the aforementioned revenue increases, as well as through gross margin expansion of 110 basis points due to the operational improvements implemented at Fannie May, as well as manufacturing and production efficiencies, partially offset by promotional offers and customer service issues resulting from the inclement weather during the year. Gross profit increased by 0.5% during the fiscal year ended June 30, 2013, in comparison to the prior year, due to the above mentioned revenue increases, partially offset by a decrease in gross margin percentage of 250 basis points. This decrease in gross margin percentage was primarily attributable to production/distribution issues at Fannie May, combined with the impact of product mix which reflected an increase in lower margin DesignPac wholesale gift baskets, and a decrease in higher margin Fannie May retail volume due to the prior year sale of 17 Fannie May stores.

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

Marketing and Sales Expense

Years Ended				
June 29,		June 30,		July 1,
	%		%	
2014	Change	2013	Change	2012
(dollars in thousands)				

Marketing and sales	$194,847	4.4 %	$186,720	3.0 %	$181,199
Percentage of sales	25.8 %		25.4 %		25.6 %

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

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

During the fiscal year ended June 30 2013, marketing and sales expense increased by 3.0%, compared to the prior year, as a result of: (i) higher advertising costs incurred by the 1-800-Flowers brand, which drove cost efficient revenue growth, and for the successful launch of Fannie May Berries, (ii) increased labor due to growth initiatives within the 1-800-Flowers brand, and incremental labor required to support the growth achieved by the DesignPac wholesale business. However, as a result of the Company’s continued focus on improving its merchandising programs, refocusing marketing messages, and enhancing the efficiency of advertising efforts, marketing and sales expense, as a percentage of net revenues, decreased from 25.6% in fiscal 2012 to 25.4% in fiscal 2013.

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

Technology and Development Expense

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

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

During the fiscal year ended June 29, 2014, technology and development expense increased by 3.8%, compared to the prior year, as a result of increased license/maintenance costs to support the Company’s IT infrastructure, as well as restructuring costs incurred to realign personnel to accommodate the launch of the Company’s new multi-branded portal during fiscal 2015.

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

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

General and Administrative Expense

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

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

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

Depreciation and Amortization

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

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

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

Interest Expense and other, net

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

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

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

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

Income Taxes

During the fiscal years ended June 29, 2014, June 30, 2013 and July 1, 2012, the Company recorded income tax expense of $8.4 million, $9.1 million and $7.8 million, respectively, resulting in an effective tax rate of 37.6%, 36.6% and 36.8%, respectively. The Company's effective tax rate differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes, rate changes, various tax credits/settlements as well as non-deductible stock-based compensation and goodwill amortization.

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

Discontinued Operations

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. The sales price consisted of $12.0 million of cash proceeds at closing, resulting in a gain on sale of $8.7 million ($4.5 million, net of tax). During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its e-commerce and procurement businesses on December 31, 2013. The Company had originally estimated a loss of $2.3 million ($1.5 million, net of tax), which was provided for during the fourth quarter of fiscal 2013, but the loss was reduced to $1.0 million, upon finalization of terms and closing on the sale. As a result, the Company reversed $1.3 million ($0.8 million, net of tax) of its accrual for the estimated loss during the fiscal year ended June 29, 2014. The Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	June 29, 2014	**June 30, 2013**	**July 1, 2012**
	(dollars in thousands)		
Net revenues from discontinued operations	$1,669	$5,154	$10,743
Gross profit from discontinued operations	$429	$149	$1,787
Loss from discontinued operations, net of tax	$(86)	$(1,889)	$(217)
Gain (loss) on sale of discontinued operations, net of tax	$815	$(1,512)	$4,542
Income (loss) from discontinued operations	$729	$(3,401)	$4,325

39

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2014 and 2013. The Company believes this unaudited information has been prepared substantially on the same basis as the annual audited consolidated financial statements and all necessary adjustments, consisting of only normal recurring adjustments, have been included in the amounts stated below to present fairly the Company's results of operations. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	Jun. 29, 2014	**Mar. 30, 2014**	**Dec. 29, 2013**	**Sep. 29, 2013**	**Jun. 30, 2013**	**Mar. 31, 2013**	**Dec. 30, 2012**	**Sep. 30, 2012**
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$148,083	$139,918	$180,095	$80,880	$139,109	$144,555	$171,774	$81,112
Other	39,286	39,673	86,242	42,168	33,854	47,027	79,587	38,480
Total net revenues	187,369	179,591	266,337	123,048	172,963	191,582	251,360	119,592
Cost of revenues	107,513	106,048	155,360	71,751	102,134	111,125	146,879	70,167
Gross profit	79,856	73,543	110,977	51,297	70,829	80,457	104,481	49,425
Operating expenses:								
Marketing and sales	51,131	51,581	57,656	34,479	48,075	51,439	54,483	32,723
Technology and development	5,756	6,045	5,319	5,398	5,328	5,613	5,363	5,396
General and administrative	12,810	13,865	14,267	13,812	12,016	13,757	13,354	13,061
Depreciation and amortization	5,191	4,932	5,036	4,689	4,992	4,838	4,521	4,447
Total operating expenses	74,888	76,423	82,278	58,378	70,411	75,647	77,721	55,627
Operating income (loss)	4,968	(2,880)	28,699	(7,081)	418	4,810	26,760	(6,202)
Interest (income) expense and other, net	(398)	(249)	(418)	(292)	32	(199)	(538)	(286)
Income (loss) from continuing operations before income taxes	4,570	(3,129)	28,281	(7,373)	450	4,611	26,222	(6,488)
Income tax expense (benefit)	1,813	(1,391)	10,798	(2,816)	(88)	1,491	9,715	(2,045)
Income (loss) from continuing operations	2,757	(1,738)	17,483	(4,557)	538	3,120	16,507	(4,443)
Income (loss) from discontinued operations, net of tax	295	75	(374)	(82)	(749)	(481)	(496)	(163)
	-	(62)	877	-	(1,512)	-	-	-

Gain (loss) on sale of discontinued operations, net of tax								
Income (loss) from discontinued operations, net of tax	295	13	503	(82)	$(2,261)	(481)	(496)	(163)
Net income (loss)	3,052	(1,725)	17,986	(4,639)	$(1,723)	$2,639	$16,011	$(4,606)
Less: Net loss attributable to noncontrolling interest	(356)	(300)	(41)	-	-	-	-	-
Net income attributable to 1-800-FLOWERS.COM, Inc.	$3,408	$(1,425)	$18,027	$(4,639)	$(1,723)	$2,639	$16,011	$(4,606)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$0.05	$(0.02)	$0.27	$(0.07)	$0.01	$0.05	$0.25	$(0.07)
From discontinued operations	$0.00	$0.00	$0.01	$0.00	$(0.04)	$(0.01)	$(0.01)	$0.00
Basic net income per common share	$0.05	$(0.02)	$0.28	$(0.07)	$(0.03)	$0.04	$0.25	$(0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
From continuing operations	$0.05	$(0.02)	$0.27	$(0.07)	$0.01	$0.05	$0.25	$(0.07)
From discontinued operations	$0.00	$0.00	$0.01	$0.00	$(0.03)	$(0.01)	$(0.01)	$0.00
Diluted net income per common share	$0.05	$(0.02)	$0.27	$(0.07)	$(0.03)	$0.04	$0.24	$(0.07)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	64,112	64,214	64,016	63,799	63,891	64,256	64,824	64,505
Diluted	66,157	64,214	66,095	63,799	66,620	66,111	66,557	64,505

40

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

Liquidity and Capital Resources

Cash Flows

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

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

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

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

Credit Facility

On April 10, 2013, the Company repaid all amounts outstanding under its 2010 Credit Facility, and entered into a Third Amended and Restated Credit Agreement (the "2013 Credit Facility"). The 2013 Credit Facility consists of a revolving line of credit with a seasonally adjusted limit ranging from $150.0 to $200.0 million and a working capital sublimit ranging from $25.0 to $75.0 million. The 2013 Credit Facility also revised certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 29, 2014 and June 30, 2013. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, bear interest at the Company's option at either: (i) LIBOR, plus a spread of between 150 and 225 basis points, as determined by the Company's leverage ratio, or (ii) the agent bank's prime rate plus a margin. The obligations of the Company and its subsidiaries under the 2013 Credit Facility are secured by liens on all personal property of the Company and its domestic subsidiaries.

Despite the current challenging economic environment, the Company believes that cash flows from operations along with available borrowings from its 2013 Credit Facility will be a sufficient source of liquidity. The Company typically borrows against the facility to fund working capital requirements related to pre-holiday manufacturing and inventory purchases which peak during its fiscal second quarter before being repaid prior to the end of that quarter. It is anticipated that any borrowings required subsequent to the end of the fiscal second quarter will be for non-working capital purposes, such as capital additions, including the completion of the Cheryl's production facility expansion, as well as stock repurchases and acquisitions.

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

Stock Repurchase Program

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

Contractual Obligations

At June 29, 2014, the Company's contractual obligations from continuing operations consist of:

	Payments due by period *(dollars in thousands)*				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	More than 5 years
Operating lease obligations	$73,522	$14,141	$25,754	$16,834	$16,793
Sublease obligations	3,621	740	1,238	588	1,055
Purchase commitments (*)	49,502	47,236	2,260	6	-
Total	$126,645	$62,117	$29,252	$17,428	$17,848

(*) Purchase commitments consist primarily of inventory and equipment purchase orders made in the ordinary course of business.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial position and results of operations are based upon the consolidated financial statements of 1-800-FLOWERS.COM, Inc., which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, inventory and long-lived assets, including goodwill and other intangible assets related to acquisitions. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of its consolidated financial statements.

Revenue Recognition

Net revenues are generated by e-commerce operations from the Company’s online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, net of discounts, returns and credits. Net revenues are recognized primarily upon product shipment and do not include sales tax. Shipping terms are primarily FOB shipping point. Net revenues generated by the Company’s BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms primarily FOB shipping point.

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

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers or franchisees to make required payments. In establishing the appropriate provisions for customer receivable balances, the Company makes assumptions with respect to their future collectability. The Company’s assumptions are based on an assessment of a customer’s credit quality as well as subjective factors and trends, including the aging of receivable balances. Once the Company considers the factors above, an appropriate provision is made, which takes into account the severity of the likely loss on the outstanding receivable balance based on the Company’s experience in collecting these amounts. If the financial condition of the Company’s customers or franchisees were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination, with the carrying value of the Company’s goodwill allocated to its reporting units. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist.

The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components. Goodwill impairment testing involves a two-step process. The first step requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than the fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists for advice. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

Based on the goodwill impairment test performed during the fourth quarter of fiscal 2014, the estimated fair value of the Company's reporting units significantly exceeded their respective carrying value (including goodwill allocated to each respective reporting unit). Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill. However, as a measure of sensitivity, a 34% decrease in the fair value of the Company’s reporting units as of June 29, 2014, would have had no impact on the carrying value of the Company’s goodwill. In addition, a decrease of 100 basis points in our terminal (perpetual) growth rate or an increase of 100 basis points in our weighted-average cost of capital would still result in a fair value calculation exceeding our book value for each of our reporting units.

Other Intangibles and Long-Lived Assets

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized.

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

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

Based on the indefinite-lived intangible assets impairment test performed during the fourth quarter of fiscal 2014, the estimated fair value of the Company's intangibles significantly exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that we consider in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

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

Recently Adopted Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment,” which allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU No. 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test. Otherwise, the quantitative impairment test is not required. This ASU became effective for annual and interim goodwill impairment tests performed for the Company’s fiscal year ending June 29, 2014. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Recent Accounting Pronouncements

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

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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds and investment grade corporate and U.S. government securities, as well as from outstanding debt. As of June 29, 2014, the Company had no debt outstanding under its credit agreement, as all amounts previously outstanding were paid off during the fourth quarter of fiscal 2013.

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

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matured on July 25, 2012. The Company had designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments. The effective portion of the after tax fair value gains or losses on this swap was included as a component of accumulated other comprehensive income.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Annual Financial Statements: See Part IV, Item 15 of this Annual Report on Form 10-K.

Selected Quarterly Financial Data: See Part II, Item 7 of this Annual Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of June 29, 2014. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have each concluded that the Company’s disclosure controls and procedures were effective as of June 29, 2014.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effectuated by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), and includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made in accordance with authorization of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on the framework established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of June 29, 2014.

The Company's independent registered public accounting firm, BDO USA, LLP, audited the effectiveness of the Company's internal control over financial reporting as of June 29, 2014. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of June 29, 2014 is set forth below.

47

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

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

We have audited 1-800-FLOWERS.COM, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of June 29, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, 1-800-FLOWERS.COM, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 29, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 29, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended and our report dated September 12, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Melville, NY

September 12, 2014

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information to be set forth in the Proxy Statement for the 2014 annual meeting of stockholders is incorporated herein by reference.

The Company maintains a Code of Business Conduct and Ethics, which is applicable to all directors, officers and employees on the Investor Relations-Corporate Governance tab of the Company's website at www.1800flowers.com. Any amendment or waiver to the Code of Business Conduct and Ethics that applies to our directors or executive officers will be posted on our website or in a report filed with the SEC on Form 8-K to the extent required by applicable law or the regulations of any exchange applicable to the Company. A copy of the Code of Business Conduct and Ethics is available without charge upon written request to: Investor Relations, 1-800-FLOWERS.COM, Inc., One Old Country Road, Suite 500, Carle Place, New York 11514.

Item 11. EXECUTIVE COMPENSATION

The information to be set forth in the Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information to be set forth in the Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information to be set forth in the Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information to be set forth in the Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Index to Consolidated Financial Statements:

(a) (2) Index to Financial Statement Schedules:

All other information and financial statement schedules are omitted because they are not applicable, or required, or
because the required information is included in the consolidated financial statements or notes thereto.
(a) (3) Index to Exhibits

Exhibits marked with an asterisk (*) are incorporated by reference to exhibits or appendices previously filed with the Securities and Exchange Commission, as indicated by the reference in brackets. All other exhibits are filed herewith. Exhibits 10.5, 10.6, 10.7, 10.8, 10.9, 10.10, 10.11, 10.13, 10.14, 10.15 10.16, 10.17, 10.21, 10.22 and 10.23 are management contracts or compensatory plans or arrangements.

Exhibit	Description
*3.1	Third Amended and Restated Certificate of Incorporation. (Registration Statement on Form S-1/A (No. 333-78985) filed on July 9, 1999, Exhibit 3.1)
*3.2	Amendment No. 1 to Third Amended and Restated Certificate of Incorporation. (Registration Statement on Form S-1/A (No. 333-78985) filed on July 22, 1999, Exhibit 3.2)
*3.3	Amended and Restated By-laws. (Registration Statement on Form S-1 (No 333-78985) filed on May 21, 1999, Exhibit 3.3)
*4.1	Specimen Class A common stock certificate. (Registration Statement on Form S-1/A (No. 333-78985 filed on July 9, 1999, Exhibit 4.1)
*4.2	

	See Exhibits 3.1, 3.2 and 3.3 for provisions of the Certificate of Incorporation and By-laws of the Registrant defining the rights of holders of Common Stock of the Registrant.
*10.4	(Reserved)
*10.5	Employment Agreement, effective as of July 1, 1999, between James F. McCann and 1-800-FLOWERS.COM, Inc. (Form S-1/A (No. 333-78985) filed on July 9, 1999, Exhibit 10.19)
*10.6	Amendment dated December 3, 2008 to Employment Agreement between James F. McCann and 1-800-FLOWERS.COM, Inc. (Quarterly Report on Form 10-Q filed on February 6, 2009, Exhibit 10.1)
*10.7	Employment Agreement, effective as of July 1, 1999, between Christopher G. McCann and 1-800-FLOWERS.COM, Inc. (Form S-1/A (No. 333-78985) filed on July 9, 1999, Exhibit 10.20)
*10.8	Amendment dated December 3, 2008 to Employment Agreement between Christopher G. McCann and 1-800-FLOWERS.COM, Inc. (Quarterly Report on Form 10-Q filed on February 6, 2009, Exhibit 10.2)
*10.9	2003 Long Term Incentive and Share Award Plan (as amended and restated as of October 22, 2009 and amended as of October 28, 2011) (Definitive Proxy filed on October 31, 2011 (No 111168049, Annex A))
*10.10	Section 16 Executive Officer's Bonus Plan (as amended and restated as of October 22, 2009) (Definitive Proxy filed on October 23, 2009 (No. 000-26841), Annex B)
*10.11	Employment Agreement, dated as of May 2, 2006, by and among 1-800-FLOWERS.COM, Inc., Fannie May Confections Brands, Inc. and David Taiclet. (Annual Report on Form 10-K for the fiscal year ended July 3, 2005 filed on September 15, 2006, Exhibit 10.8)

*10.12	Lease, dated May 20, 2005, between Treeline Mineola, LLC and 1-800-FLOWERS.COM, Inc. (Annual Report on Form 10-K for the fiscal year ended July 3, 2005 filed on September 15, 2005, Exhibit 10.26)
*10.13	Offer letter to Julie McCann Mulligan (Annual Report on Form 10-K for the fiscal year ended June 28, 2009 filed on September 11, 2009, Exhibit 10.12)
*10.14	Offer letter to Stephen Bozzo (Quarterly Report on Form 10-Q filed on November 8, 2007, Exhibit 10.4).
*10.15	Form of Restricted Share Agreement under 2003 Long Term Incentive and Share Award Plan. (Annual Report on Form 10-K for the fiscal year ended June 29, 2008 filed on September 12, 2008, Exhibit 10.15)
*10.16	Form of Incentive Stock Option Agreement under 2003 Long Term Incentive and Share Award Plan. (Annual Report on Form 10-K for the fiscal year ended June 29, 2008 filed on September 12, 2008, Exhibit 10.16)
*10.17	Form of Non-statutory Stock Option Agreement under 2003 Long Term Incentive and Share Award Plan. (Annual Report on Form 10-K for the fiscal year ended June 29, 2008 filed on September 12, 2008, Exhibit 10.17)
*10.18	Second Amended and Restated Credit Agreement dated as of April 16, 2010 among 1-800-Flowers.com, Inc, The Subsidiary Borrowers Party thereto, The Guarantors Party thereto, The Lenders Party thereto and J.P. Morgan Chase Bank, N.A., as Administrative Agent. (Current Report on Form 8-K filed on April 23, 2010, Exhibit 99.2)
*10.19	Third Amended and Restated Credit Agreement dated as of April 10, 2013 among 1-800-Flowers.com, Inc., The Subsidiary Borrowers Party thereto, The Guarantors Party thereto, The Lenders Party thereto and J.P. Morgan Chase Bank, N.A., as Administrative Agent. (Current Report on Form 8-K filed on April 11, 2013, Exhibit 99.2)
*10.20	(Reserved)
*10.21	Form of Restricted Share Agreement under 2003 Long Term Incentive and Share Award Plan (Quarterly Report on Form 10-Q filed on February 10, 2012, Exhibit 10.20)
*10.22	Form of Performance Restricted Share Agreement under 2003 Long Term Incentive and Share Award Plan (Quarterly Report on Form 10-Q filed on February 10, 2012, Exhibit 10.21)
*10.23	Form of Non-Statutory Stock Option Agreement under 2003 Long Term Incentive and Share Award Plan (Quarterly Report on Form 10-Q filed on February 10, 2012, Exhibit 10.22)
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Document
101.PRE	XBRL Taxonomy Definition Presentation Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: September 12, 2014	1-800-FLOWERS.COM, Inc. By:/s/ James F. McCann James F. McCann Chief Executive Officer Chairman of the Board of Directors (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated below:

Dated: September 12, 2014	By: /s/ James F. McCann James F. McCann Chief Executive Officer Chairman of the Board of Directors (Principal Executive Officer)
Dated: September 12, 2014	By: /s/ William E. Shea William E. Shea Senior Vice President, Treasurer and Chief Financial Officer

	(Principal Financial and Accounting Officer)
Dated: September 12, 2014	By: /s/ Christopher G. McCann Christopher G. McCann Director, President
Dated: September 12, 2014	By: /s/ Geralyn R. Breig Geralyn R. Breig Director
Dated: September 12, 2014	By: /s/ Lawrence Calcano Lawrence Calcano Director
Dated: September 12, 2014	By: /s/ James A. Cannavino James A. Cannavino Director
Dated: September 12, 2014	By: /s/ Eugene F. DeMark Eugene F. DeMark Director

Dated: September 12, 2014	By: /s/ Leonard J. Elmore Leonard J. Elmore Director
Dated: September 12, 2014	By: /s/ Sean Hegarty Sean Hegarty Director
Dated: September 12, 2014	By: /s/ Larry Zarin Larry Zarin Director

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

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

We have audited the accompanying consolidated balance sheet of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of June 29, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended. In connection with our audit of the financial statements, we have also audited the financial statement schedule for the year ended June 29, 2014, listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 1-800-FLOWERS.COM, Inc. and Subsidiaries' internal control over financial reporting as of June 29, 2014 based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of

Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 12, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Melville, NY

September 12, 2014

F-1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

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

We have audited the accompanying consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries (the Company) as of June 30, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a) for the two years ended June 30, 2013. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at June 30, 2013, and the consolidated results of their operations and their cash flows for each of the two years in the period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 1-800-FLOWERS.COM, Inc. and Subsidiaries' internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated September 13, 2013 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Jericho, New York

September 13, 2013

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

Consolidated Balance Sheets

(in thousands, except share data)

	June 29, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$5,203	$154
Receivables, net	13,339	14,957
Inventories	58,520	55,756
Deferred tax assets	5,156	5,746
Prepaid and other	9,600	9,941
Current assets of discontinued operations	-	6,095
Total current assets	91,818	92,649
Property, plant and equipment, net	60,147	52,943
Goodwill	60,166	47,943
Other intangibles, net	44,616	43,276
Deferred tax assets	2,002	2,127
Other assets	8,820	10,086
Non-current assets of discontinued operations	-	1,049
Total assets	$267,569	$250,073
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$24,447	$26,235
Accrued expenses	49,517	45,044
Current maturities of long-term debt	343	-
Current liabilities of discontinued operations	-	4,484
Total current liabilities	74,307	75,763
Deferred tax liabilities	649	-
Other liabilities	6,495	5,039
Total liabilities	81,451	80,802
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	-	-
Class A common stock, $.01 par value, 200,000,000 shares authorized, 38,119,398 and 36,280,425 shares issued in 2014 and 2013, respectively	381	362
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,058,594 and 42,125,465 shares issued in 2014 and 2013, respectively	420	421
Additional paid-in capital	305,510	298,580

Retained deficit	(68,565)	(83,937)
Accumulated other comprehensive loss	(75)	-
Treasury stock, at cost, 10,818,437 and 9,257,231 Class A shares in 2014 and 2013, respectively, and 5,280,000 Class B shares in 2014 and 2013	(54,472)	(46,155)
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	183,199	169,271
Noncontrolling interest	2,919	-
Total equity	$186,118	169,271
Total liabilities and equity	$267,569	$250,073

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Income

(in thousands, except per share data)

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

Weighted average shares used in the calculation of net income (loss) per common share:			
Basic	64,035	64,369	64,697
Diluted	66,460	66,792	66,239

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Comprehensive Income

(in thousands)

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

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Stockholders' Equity

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

(in thousands, except share data)

	Common Stock				**Additional**		**Accumulated Other**			**Total 1-800-FLOWER Inc. Stockhold**
	Class A Shares	**Amount**	**Class B Shares**	**Amount**	**Paid-in Capital**	**Retained Deficit**	**Comprehensive Loss**	**Treasury Stock Shares**	**Amount**	**Equity**
Balance at July 3, 2011	32,987,313	$330	42,138,465	$421	$289,101	$(113,904)	$(158)	10,913,253	$(33,279)	$142,511
Net income	-	-	-	-	-	17,646	-	-	-	17,646
Change in value of cash flow hedge	-	-	-	-	-	-	141	-	-	141
Stock-based compensation	1,477,894	14	-	-	4,836	-	-	-	-	4,850
Tax asset shortfall from stock-based compensation	-	-	-	-	(123)	-	-	-	-	(123
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	1,133,913	(3,277)	(3,277
Balance at July 1, 2012	34,465,207	344	42,138,465	421	293,814	(96,258)	(17)	12,047,166	(36,556)	161,748
Net income	-	-	-	-	-	12,321	-	-	-	12,321
Change in value of cash flow hedge	-	-	-	-	-	-	17	-	-	17
Conversion of Class B stock into Class A stock	13,000	-	(13,000)	-	-	-	-	-	-	-
Stock-based compensation	1,610,271	16	-	-	4,267	-	-	-	-	4,283
Exercise of stock options	191,947	2	-	-	533	-	-	-	-	535

Tax asset shortfall from stock-based compensation	-	-	-	-	(34)	-	-	-	-	(34)
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	2,490,065	(9,599)	(9,599)
Balance at June 30, 2013	36,280,425	362	42,125,465	421	298,580	(83,937)	-	14,537,231	(46,155)	169,271
Net income	-	-	-	-	-	15,372	-	-	-	15,372
Translation adjustment	-	-	-	-	-	-	(75)	-	-	(75)
Conversion of Class B stock into Class A stock	66,871	1	(66,871)	(1)	-	-	-	-	-	-
Stock-based compensation	1,608,052	16	-	-	4,648	-	-	-	-	4,664
Exercise of stock options	164,050	2	-	-	525	-	-	-	-	527
Excess tax benefit from stock-based compensation	-	-	-	-	1,757	-	-	-	-	1,757
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	1,561,206	(8,317)	(8,317)
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Balance at June 29, 2014	38,119,398	$381	42,058,594	$420	$305,510	$(68,565)	$(75)	16,098,437	$(54,472)	$183,199

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows

(in thousands)

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

Repayment of capital lease obligations	-	(6)	(1,482)
Other	3	-	-
Net cash used in financing activities	(6,002)	(38,815)	(19,486)
Net change in cash and cash equivalents	5,049	(28,700)	7,412
Cash and cash equivalents:			
Beginning of year	154	28,854	21,442
End of year	$5,203	$154	$28,854

Supplemental Cash Flow Information:

- Interest paid amounted to $1.0 million, $1.1 million, and $2.2 million, for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively.
- The Company paid income taxes of approximately $7.0 million, $8.3 million and $5.0 million, net of tax refunds received, for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively.

See accompanying Notes to Consolidated Financial Statements.

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

Notes to Consolidated Financial Statements

Note 1. Description of Business

For more than 35 years, 1-800-FLOWERS.COM, Inc. has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee backs every gift. The Company's BloomNet® international floral wire service provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from The Popcorn Factory®, cookies and baked gifts from Cheryl's®, premium chocolates and confections from Fannie May® and Harry London®, gift baskets and towers from 1-800-BASKETS.COM®, incredible, carved fresh fruit arrangements from FruitBouquets.com℠, top quality steaks and chops from Stock Yards®, as well as premium branded customizable invitations and personal stationery from FineStationery.com®. The Company's Celebrations® brand is a source for creative party ideas, must-read articles, online invitations and ecards, all created to help people celebrate holidays and the everyday.

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012, and its e-commerce and procurement businesses as discontinued operations for all periods presented.

Fiscal Year

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks, highly liquid money market funds, United States government securities, overnight repurchase agreements and commercial paper with maturities of three months or less when purchased.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out method of accounting.

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

Notes to Consolidated Financial Statements

Property, Plant and Equipment

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

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

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist.

The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components. Goodwill impairment testing involves a two-step process. The first step requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than the fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized.

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

Notes to Consolidated Financial Statements

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

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

Business Combinations

The Company accounts for business combinations in accordance with ASC Topic 805 which requires, among other things, the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed; the recognition of acquisition-related costs in the consolidated results of operations; the recognition of restructuring costs in the consolidated results of operations for which the acquirer becomes obligated after the acquisition date; and contingent purchase consideration to be recognized at their fair values on the acquisition date with subsequent adjustments recognized in the consolidated results of operations. The fair values assigned to identifiable intangible assets acquired are determined primarily by using an income approach which is based on assumptions and estimates made by management. Significant assumptions utilized in the income approach are based on company specific information and projections which are not observable in the market and are therefore considered Level 3 measurements. The excess of the purchase price over the fair value of the identified assets and liabilities is recorded as goodwill. Operating results of the acquired entity are reflected in the Company's consolidated financial statements from date of acquisition.

Deferred Catalog Costs

The Company capitalizes the costs of producing and distributing its catalogs. These costs are amortized in direct proportion to actual sales from the corresponding catalog over a period not to exceed 26-weeks. Included within prepaid and other current assets was $0.2 million and $0.5 million at June 29, 2014 and June 30, 2013 respectively, relating to prepaid catalog expenses.

Investments

The Company has certain investments in non-marketable equity instruments of private companies. The Company accounts for these investments using the equity method if they provide the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The Company records equity method investments initially at cost, and adjusts the carrying amount to reflect the Company's share of the earnings or losses of the investee. The Company's equity method investments are comprised of a 32% interest in Flores Online, a Sao Paulo, Brazil based internet floral and gift retailer, that the Company made on May 31, 2012. The book value of this investment was $3.2 million as of June 29, 2014 and $3.8 million as of June 30, 2013, and is included in Other assets within the consolidated balance sheets. The Company's equity in the net income (loss) of Flores Online for each of the years ended June 29, 2014 and June 30, 2013 was $(0.6) million and $0.2 million.

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

Notes to Consolidated Financial Statements

Investments in non-marketable equity instruments of private companies, where the Company does not possess the ability to exercise significant influence, are accounted for under the cost method. Cost method investments are originally recorded at cost, and are included within Other assets in the Company's consolidated balance sheets. The aggregate carrying amount of the Company's cost method investments was $0.8 million as of June 29, 2014 and $2.3 million as of June 30, 2013. In addition, the Company had notes receivable from a company it maintains an investment in of $0.5 million as of June 29, 2014 and $2.3 million as of June 30, 2013. As described in Note 4 "Acquisitions and Dispositions", on December 3, 2013, the Company increased its investment in iFlorist, resulting in a majority ownership interest (56%), through the conversion of notes receivable and the purchase of additional shares from the Company's founders. The acquisition of a majority interest in iFlorist resulted in the consolidation of iFlorist's operations, and the elimination of both the Company's cost-basis investment and notes receivable..

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

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentration of credit risk with respect to accounts receivable is limited due to the Company's large number of customers and their dispersion throughout the United States, and the fact that a substantial portion of receivables are related to balances owed by major credit card companies. Allowances relating to consumer, corporate and franchise accounts receivable ($2.4 million and $2.5 million at June 29, 2014 and June 30, 2013, respectively) have been recorded based upon previous experience and management's evaluation.

Revenue Recognition

Net revenues are generated by e-commerce operations from the Company’s online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, net of discounts, returns and credits. Net revenues are recognized primarily upon product shipment and do not include sales tax. Shipping terms are primarily FOB shipping point. Net revenues generated by the Company’s BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms primarily FOB shipping point.

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

Cost of Revenues

Cost of revenues consists primarily of florist fulfillment costs (fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues includes labor and facility costs related to manufacturing and production operations.

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

Notes to Consolidated Financial Statements

Marketing and Sales

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

The Company expenses all advertising costs, with the exception of catalog costs (see *Deferred Catalog Costs* above) at the time the advertisement is first shown. Advertising expense was $83.0 million, $77.9 million and $75.1 million for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively.

Technology and Development

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its websites, including hosting, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems. Costs associated with the acquisition or development of software for internal use are capitalized if the software is expected to have a useful life beyond one year and amortized over the software's useful life, typically three to seven years. Costs associated with repair maintenance or the development of website content are expensed as incurred as the useful lives of such software modifications are less than one year.

Stock-Based Compensation

The Company records compensation expense associated with restricted stock awards and other forms of equity compensation based upon the fair value of stock-based awards as measured at the grant date. The expense is recorded by amortizing the fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

Derivatives and hedging

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

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that the Company considers in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

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

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

Notes to Consolidated Financial Statements

Net Income (Loss) Per Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common and dilutive common equivalent shares (consisting primarily of employee stock options and unvested restricted stock awards) outstanding during the period. Diluted net loss per share excludes the effect of potential common shares (consisting primarily of employee stock options and unvested restricted stock awards) that would be antidilutive.

Recently Adopted Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment,” which allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU No. 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test. Otherwise, the quantitative impairment test is not required. This ASU became effective for annual and interim goodwill impairment tests performed for the Company’s fiscal year ending June 29, 2014. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Recent Accounting Pronouncements

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

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

Reclassifications

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

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

Notes to Consolidated Financial Statements

Note 3 – Net Income Per Common Share from Continuing Operations

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

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

Note (1): The effect of options to purchase 1.2 million, 2.0 million and 5.5 million shares for the years ended June 29, 2014, June 30, 2013 and July 1, 2012, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions and dispositions

Acquisition of Fannie May retail stores

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

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

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

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

Notes to Consolidated Financial Statements

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

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

Acquisition of Colonial Gifts Limited

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

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

On December 3, 2013, the Company acquired an additional interest in iFlorist, bringing the Company's ownership interest to 56.2%. The acquisition of the additional interest was financed through the conversion of $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

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

Notes to Consolidated Financial Statements

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

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

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

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

Acquisition of Pingg

On May 31, 2013, the Company completed the acquisition of Pingg Corp., an online invitation and event planner. The purchase price, which included the acquisition of software, receivables and certain other assets and related liabilities, was approximately $1.6 million. Approximately $0.4 million of the purchase price was assigned to goodwill. The acquisition was financed utilizing available cash balances. Operating results of the acquired entity, which are not significant, are reflected in the Company's consolidated financial statements from the date of acquisition, in the 1-800-Flowers.com Consumer Floral segment.

Acquisition of 1-800-Flowers' European trademarks

On March 11, 2013, the Company acquired the European rights to various derivations of the 1-800-Flowers' tradename, trademark, URL's and telephone numbers from Flowerscorp Pty Ltd. for a purchase price of $4.0 million, which is included within Other intangibles, net. The Company has paid $3.0 million of the $4.0 million purchase price, and is required to make a final payment of $1.0 million on March 11, 2015, the balance of which is included on the balance sheet within Accrued Expenses.

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

Notes to Consolidated Financial Statements

Sale and franchise of Fannie May retail stores

On November 21, 2011, the Company and GB Chocolates entered into an agreement whereby the Company sold 17 existing Fannie May stores, to be operated as franchised locations by GB Chocolates, for $5.6 million, recognizing a gain on the sale of $3.8 million. Upon completion of the sale, the Company also recognized initial franchise fees associated with these 17 stores in the amount of $0.5 million. In conjunction with the sale of stores, the Company and GB Chocolates entered into the 2011 ADA whereby GB Chocolates agreed to open a minimum of 45 new Fannie May franchise stores. The agreement provided exclusive development rights for several Midwestern states, as well as specific cities in Florida and Ohio. The terms of the 2011 ADA included a non-refundable area development fee of $0.9 million, store opening fees of $0.5 million, assuming successful opening of 45 stores, and a Non-Performance Promissory Note in the amount of $1.2 million, which became due and payable only if GB Chocolates did not open all 45 stores as set forth in the 2011 ADA. As of June 30, 2013, the Company had deferred recognition of $0.7 million, of the original $0.9 million area development fee associated with the 45 store area development agreement, based upon the number of stores opened by GB Chocolates at that time (a total of 10 stores were ultimately opened). In addition, through June 30, 2013, the Company had recognized approximately $0.2 million, of the $1.2 million Non-Performance Promissory Note, based upon its assessment of the likelihood that the performance criteria under the agreement would be achieved.

Acquisition of Flowerama

On August 1, 2011, the Company completed the acquisition of Flowerama of America, Inc. (Flowerama), a franchisor and operator of retail flower shops under the Flowerama trademark. The purchase price, which included the acquisition of receivables, inventory, eight retail store locations and certain other assets and related liabilities, was approximately $4.3 million. Of the acquired assets, $2.1 million was assigned to amortizable investment in licenses (intangibles), which is being amortized over the estimated useful life of 20 years, based upon the estimated remaining life of the franchise agreements. Approximately $2.4 million of purchase price was assigned to goodwill which is not deductible for tax purposes. The acquisition was financed utilizing available cash balances.

Note 5. Inventory

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

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

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

Notes to Consolidated Financial Statements

Note 6. Goodwill and Intangible Assets

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

	Consumer Floral	**BloomNet Wire Service**	**Gourmet Food and Gift Baskets (1)**	**Total**
		(in thousands)		
Balance at July 1, 2012	$ 9,709	$-	$ 37,776	$47,485
Adjustments		-	(84)	(84)
Acquisition of Pingg	542	-	-	542
Balance at June 30, 2013	$ 10,251	$-	$ 37,692	$47,943
Acquisition of Fannie May franchise stores			5,783	5,783
Adjustments	(97)	-	-	(97)
Acquisition of iFlorist	6,537	-	-	6,537
Balance at June 29, 2014	$ 16,691	$-	$ 43,475	$60,166

(1) The total carrying amount of goodwill for all periods in the table above is reflected net of $71.1 million of accumulated impairment charges, which were recorded in the GFGB segment during fiscal 2009.

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

		June 29, 2014			**June 30, 2013**		
	Amortization Period	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net**
	(years)	*(in thousands)*					
Intangible assets with determinable lives:							
Investment in licenses	14 - 16	$7,420	$ 5,621	$1,799	$7,420	$ 5,516	$1,904

Customer lists	3 - 10	17,313	12,818	4,495	15,989	11,334	4,655
Other	5 - 8	2,538	2,538	-	2,538	2,513	25
		27,271	20,977	6,294	25,947	19,363	6,584
Trademarks with indefinite lives		38,322	-	38,322	36,692	-	36,692
Total intangible assets		$65,593	$ 20,977	$44,616	$62,639	$ 19,363	$43,276

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. During the year ended June 29, 2014, the Company wrote-down the value of its Fine Stationery tradename from $0.7 million to $0.5 million, and during the year ended June 30, 2013, the Company wrote-down the value of its Fine Stationery tradename from $1.1 million to $0.7 million.

The amortization of intangible assets for the years ended June 29, 2014, June 30, 2013 and July 1, 2012 was $1.6 million, $1.8 million and $1.8 million, respectively. Future estimated amortization expense is as follows: 2015 - $1.8 million, 2016 - $1.7 million, 2017 - $0.9 million, 2018 – $0.6 million, 2019 - $0.1million, and thereafter - $1.2 million.

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

Notes to Consolidated Financial Statements

Note 7. Property, Plant and Equipment

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

Note 8. Accrued expenses

Accrued expenses consisted of the following:

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

Note 9. Long-Term Debt

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

(1) On April 10, 2013, the Company repaid all amounts outstanding under its 2010 Credit Facility, and entered into a Third Amended and Restated Credit Agreement (the “2013 Credit Facility”). The 2013 Credit Facility consists of a revolving line of credit with a seasonally adjusted limit ranging from $150.0 to $200.0 million and a working capital sublimit ranging from $25.0 to $75.0 million. The 2013 Credit Facility also revised certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of June 29, 2014 and June 30, 2013. Outstanding amounts under the 2013 Credit Facility, which matures on April 10, 2018, bear interest at the Company’s option at either: (i) LIBOR, plus a spread of between 150 and 225 basis points, as determined by the Company’s leverage ratio, or (ii) the agent bank’s prime rate plus a margin. The obligations of the Company and its subsidiaries under the 2013 Credit Facility are secured by liens on all personal property of the Company and its domestic subsidiaries.

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

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

Notes to Consolidated Financial Statements

Note 10. Fair Value Measurements

Cash and cash equivalents, receivables, accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments. The Company's investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company's remaining financial assets and liabilities are measured and recorded at fair value (see table below). The Company's non-financial assets, such as definite lived intangible assets and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. Goodwill and indefinite lived intangibles are tested for impairment annually, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist, as required under the accounting standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1	Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
Level 2	Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
Level 3	Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents by level, within the fair value hierarchy, financial assets and liabilities measured at fair value on a recurring basis as of June 29, 2014:

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

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

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

Notes to Consolidated Financial Statements

The following table presents, by level, within the fair value hierarchy, financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

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

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

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

Note 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company concluded its federal examination by the Internal Revenue Service for fiscal year 2011, however, fiscal years 2012 and 2013 remain subject to federal examination. Due to ongoing state examinations and non-conformity with the federal statute of limitations for assessment, certain states remain open from fiscal 2008.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. At June 29, 2014, the Company has an unrecognized tax position of approximately $0.5

million, including accrued interest and penalties of $0.1 million. The Company believes that no additional significant unrecognized tax positions will be resolved over the next twelve months.

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

	Years ended		
	June 29, 2014	**June 30, 2013**	**July 1, 2012**
	(in thousands)		
Current provision (benefit):			
Federal	$6,439	$7,983	$(1,643)
State	1,247	1,845	1,155
Foreign	11	-	-
	7,697	9,828	(488)
Deferred provision (benefit):			
Federal	773	(730)	8,479
State	28	(25)	(220)
Foreign	(95)	-	-
	706	(755)	8,259
Income tax expense	$8,403	$9,073	$7,771

F-21

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

Notes to Consolidated Financial Statements

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

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

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

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

Tax in excess of book depreciation	-	-
	(6,512)	(4,049)
Net deferred income tax assets	$6,509	$7,873

A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances primarily for net operating loss carryforwards in certain states and its United Kingdom subsidiary. At June 29, 2014 the Company's federal and foreign net operating loss carryforwards were $2.8 million and $5.1 million respectively, while the tax effected state net operating loss was $3.3 million, before federal benefit, which if not utilized, will begin to expire in fiscal year 2025, indefinitely, and 2015, respectively. The federal net operating loss of $2.8 million is subject to Section 382 limitations of $0.3 million per year.

Note 12. Capital Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

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

Notes to Consolidated Financial Statements

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

The Company has stock options and restricted stock awards outstanding to participants under the 1-800-FLOWERS.COM 2003 Long Term Incentive and Share Award Plan (the "Plan"). The Plan is a broad-based, long-term incentive program that is intended to attract, retain and motivate employees, consultants and directors to achieve the Company's long-term growth and profitability objectives, and therefore align stockholder and employee interests. The Plan provides for the grant to eligible employees, consultants and directors of stock options, share appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units, dividend equivalents, and other share-based awards (collectively "Awards").

Note 13. Stock Based Compensation

The Plan is administered by the Compensation Committee or such other Board committee (or the entire Board) as may be designated by the Board (the "Committee"). At June 29, 2014, the Company has reserved approximately 14.5 million shares of common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

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

	Years Ended		
	July 29, 2014	**June 30, 2013**	**July 1, 2012**
	(in thousands, except per share data)		
Stock options	$420	$477	$1,073

Restricted stock awards	4,244	3,806	3,777
Total	4,664	4,283	4,850
Deferred income tax benefit	1,738	1,555	1,796
Stock-based compensation expense, net	$2,926	$2,728	$3,054

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

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

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

Notes to Consolidated Financial Statements

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

Stock Option Plans

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

	Years ended		
	June 29, 2014	**June 30, 2013**	**July 1, 2012**
Weighted average fair value of options granted	$3.16	$2.95	$1.84
Expected volatility	61%	72%	72%
Expected life (in years)	6.6	6.4	8.0
Risk-free interest rate	1.6%	0.7%	0.9%
Expected dividend yield	0.0%	0.0%	0.0%

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

The following table summarizes stock option activity during the year ended June 29, 2014:

	Options	Weighted Average Exercise	Weighted Average Remaining	Aggregate Intrinsic Value

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

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of fiscal 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 29, 2014. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the years ended June 29, 2014, June 30, 2013 and July 1, 2012 was $0.4 million, $0.6 million, and $0.0 million, respectively.

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

Notes to Consolidated Financial Statements

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

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

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

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

The following table summarizes the activity of non-vested restricted stock during the year ended June 29, 2014:

	Shares	**Weighted Average**

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

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

Note 14. Employee Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All employees who have attained the age of 21 are eligible to participate upon completion of one month of service. Participants may elect to make voluntary contributions to the 401(k) plan in amounts not exceeding federal guidelines. On an annual basis the Company, as determined by its board of directors, may make certain discretionary contributions. Employees are vested in the Company's contributions based upon years of service. The Company suspended all contributions during fiscal years 2014, 2013 and 2012.

The Company also has a nonqualified supplemental deferred compensation plan for certain executives pursuant to Section 409A of the Internal Revenue Code. Participants can defer from 1% up to a maximum of 100% of salary and performance and non-performance based bonus. The Company will match 50% of the deferrals made by each participant during the applicable period, up to a maximum of $2,500. Employees are vested in the Company's contributions based upon years of participation in the plan. Distributions will be made to participants upon termination of employment or death in a lump sum, unless installments are selected. As of June 29, 2014 and June 30, 2013, these plan liabilities, which are included in Other liabilities within the Company’s Consolidated Balance Sheet, totaled $2.1 million and $1.7 million, respectively. The associated plan assets, which are subject to the claims of the creditors, are primarily invested in mutual funds and are included in Other assets-long term. Company contributions during the years ended June 29, 2014, July 1, 2012 and July 3, 2011 were less than $0.1 million. Gains and losses on these investments, which were immaterial during fiscal years 2014, 2013 and 2012, are included in Interest expense and other, net, within the Company’s Consolidated Statements of Income.

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

Notes to Consolidated Financial Statements

Note 15. Business Segments

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

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

Segment performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the segments. As such, management's measure of profitability for these segments does not include the effect of corporate overhead (see (1) below), nor does it include depreciation and amortization, other income, and income taxes, or stock-based compensation, which is included within corporate overhead. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by segment.

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

Operating Income from Continuing Operations	**Years ended June 29, 2014**	**June 30, 2013**	**July 1, 2012**
	(in thousands)		

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

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

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

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

Notes to Consolidated Financial Statements

Note 16. Discontinued Operations

On September 6, 2011, the Company completed the sale of certain assets of its wine fulfillment services business operated by its Winetasting Network subsidiary. The sales price consisted of $12.0 million of cash proceeds at closing, resulting in a gain on sale of $8.7 million ($4.5 million, net of tax). The Company has classified the results of its e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of The Winetasting Network in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its e-commerce and procurement businesses on December 31, 2013. The Company had originally estimated a loss of $2.3 million ($1.5 million, net of tax), which was provided for during the fourth quarter of fiscal 2013, but the loss was reduced to $1.0 million, upon finalization of terms and closing on the sale. As a result, the Company reversed $1.3 million ($0.8 million, net of tax) of its accrual for the estimated loss during the fiscal year ended June 29, 2014. The Company has classified the results of its wine fulfillment services business as a discontinued operation for fiscal 2012 and 2011, and the e-commerce and procurement business of Winetasting Network as a discontinued operation for all periods presented.

Results for discontinued operations are as follows:

	Years Ended		
	June 29, 2014	**June 30, 2013**	**July 1, 2012**
	(in thousands, except per share data)		
Net revenues from discontinued operations	$1,669	$5,154	$10,743
Loss from discontinued operations, net of tax	$(86)	$(1,889)	$(217)
Gain (loss) on sale of discontinued operations, net of tax	$815	$(1,512)	$4,542
Income (loss) from discontinued operations	$729	$(3,401)	$4,325

Note 17. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2026. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Most lease agreements contain renewal options and rent escalation clauses and require the Company to pay real estate taxes, insurance, common area maintenance and operating expenses applicable to the leased properties. The Company has also entered into leases that are on a month-to-month basis. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

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

Notes to Consolidated Financial Statements

As of June 29, 2014 future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases *(in thousands)*
2014	$ 14,141
2015	13,332
2016	12,422
2017	9,954
2018	6,880
Thereafter	16,793
Total minimum lease payments	$ 73,522

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

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

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

Other Commitments

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

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

Litigation

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

On November 10, 2010, a purported class action complaint was filed in the United States District Court for the Eastern District of New York naming the Company (along with Trilegiant Corporation, Inc., Affinion, Inc. and Chase Bank USA, N.A.) as defendants in an action purporting to assert claims against the Company alleging violations arising under the Connecticut Unfair Trade Practices Act ("CUTPA") among other statutes, and for breach of contract and unjust enrichment in connection with certain post-transaction marketing practices in which certain of the Company's subsidiaries previously engaged in with certain third-party vendors. On December 23, 2011, plaintiff filed a notice of voluntary dismissal seeking to dismiss the entire action without prejudice. The court entered an Order on November 28, 2012, dismissing the case in its entirety. This case was subsequently refiled in the United States District Court for the District of Connecticut.

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

Notes to Consolidated Financial Statements

On March 6, 2012 and March 15, 2012, two additional purported class action complaints were filed in the United States District Court for the District of Connecticut naming the Company and numerous other parties as defendants in actions purporting to assert claims substantially similar to those asserted in the lawsuit filed on November 10, 2010. In each case, plaintiffs seek to have the respective case certified as a class action and seek restitution and other damages, each in an amount in excess of $5.0 million. On April 26, 2012, the two Connecticut cases were consolidated with a third case previously pending in the United States District Court for the District of Connecticut in which the Company is not a party (the "Consolidated Action"). A consolidated amended complaint was filed by plaintiffs on September 7, 2012, purporting to assert claims substantially similar to those originally asserted. The Company moved to dismiss the consolidated amended complaint on December 7, 2012, which was subsequently refiled at the direction of the Court on January 16, 2013.

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

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

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

There are no assurances that additional legal actions will not be instituted in connection with the Company's former post-transaction marketing practices involving third party vendors nor can we predict the outcome of any such legal action. At this time, we are unable to estimate a possible loss or range of possible loss for the aforementioned actions for various reasons, including, among others: (i) the damages sought are indeterminate, (ii) the proceedings are in the very early stages and the court has not yet ruled as to whether the classes will be certified, and (iii) there is uncertainty as to the outcome of pending motions. As a result of the foregoing, we have determined that the amount of possible loss or range of loss is not reasonably estimable. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which may be beyond our control.

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

Notes to Consolidated Financial Statements

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

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

1-800-FLOWERS.COM, INC.

Schedule II - Valuation and Qualifying Accounts

Description	**Balance at Beginning of Period**	**Additions Charged to Costs and Expenses**	**Charged to Other Accounts-Describe (b)**	**Deductions-Describe (a)**	**Balance at End of Period**
Reserves and allowances deducted from asset accounts:					
Reserve for estimated doubtful accounts-accounts/notes receivable					
Year Ended June 29, 2014	$2,488,000	$1,656,000	$ -	$(1,701,000)	$2,443,000
Year Ended June 30, 2013	$2,408,000	$1,085,000	$ -	$(1,005,000)	$2,488,000
Year Ended July 1, 2012	$2,465,000	$869,000	$ -	$(926,000)	$2,408,000

(a) Reduction in reserve due to write-off of accounts/notes receivable balances.
(b) Amount represents opening balances from acquired businesses or discontinued operation.

S-1