

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 July 2, 2017

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
(State or other jurisdiction of incorporation or organization)
One Old Country Road, Carle Place, New York, 11514
(Address of principal executive offices) (Zip code)

11-3117311
(I.R.S. Employer Identification No.)
(516) 237-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class: **Class A common stock, par value \$0.01 per share**
Name of each Exchange on which registered: **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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 30, 2016, was approximately \$359,428,000. The registrant has no non-voting common stock.

36,297,731
(Number of shares of class A common stock outstanding as of September 5, 2017)

28,581,203
(Number of shares of class B common stock outstanding as of September 5, 2017)

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's Definitive Proxy Statement for the 2017 Annual Meeting of Stockholders (the Definitive Proxy Statement) are incorporated by reference into Part III of this Report.

1-800-FLOWERS.COM, INC.
FO RM 10-K
For the fiscal year ended July 2, 2017
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PART I

Item 1 . BUSINESS

The Company

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the “Company”) is a leading provider of gourmet food and floral gifts for all occasions. For the past 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift. The Company’s Celebrations suite of services including Celebrations Passport Free Shipping Program, Celebrations Rewards and Celebrations Reminders, are all designed to engage with customers and deepen relationships as a one-stop destination for all celebratory and gifting occasions. In 2017, 1-800-FLOWERS.COM, Inc. was named to the *Stores*® 2017 Hot 100 Retailers list. This prestigious list, compiled annually by the National Retail Federation (NRF), ranks the nation’s fastest-growing retailers by year-over-year domestic sales growth. Earlier in the year, the Company was named as the Gold Winner for The Golden Bridge Awards in the “New Products and Services” category for the company’s groundbreaking implementation of an artificial intelligence-powered online gift concierge, GWYN, and was awarded the Gold Stevie “e-Commerce Customer Service” Award, recognizing the company’s innovative use of online technologies and social media to service the needs of customers. In addition, 1-800-FLOWERS.COM, Inc. was recognized as one of Internet Retailer’s Top 300 B2B e-commerce companies in 2015 and was also recently named in Internet Retailer’s 2016 Top Mobile 500 as one of the world’s leading mobile commerce sites. The Company was included in Internet Retailer’s 2015 Top 500 for fast growing e-commerce companies. In 2015, 1-800-Flowers.com was named a winner of the “Best Companies to Work for in New York State” Award by The New York Society for Human Resource Management (NYS-SHRM).

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, Inc. “Gift Shop” also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200) or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl’s® (1-800-443-8124 or www.cheryls.com); gift baskets and towers from 1-800- Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman’s (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

On May 30, 2017, the Company completed the sale of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. (“Fannie May”) to Ferrero International S.A., a Luxembourg corporation (“Ferrero”), for a total consideration of \$115.0 million in cash, subject to adjustment for seasonal working capital. The working capital adjustment was finalized prior to the issuance of these financial statements and resulted in a reduction in the purchase price by \$11.4 million. The Company recorded a gain on the sale of \$14.6 million, which is included within “Other (income) expense, net” in the Company’s consolidated statements of income for the fiscal year 2017. The Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May related to the business of Fannie May and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

On November 27, 2014, a fire occurred at the Company’s Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. As a result, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its e-commerce and wholesale channels during the fiscal 2015 holiday season. While the Company implemented contingency plans to increase production for Fannie May Fine Chocolates and Harry London Chocolates products at its production facility in Canton, Ohio and to shift warehousing and distribution operations to alternate Company facilities, product availability was severely limited, impacting subsequent revenue and earnings. The Company recovered the retail value of its inventory lost to the fire through its property and business interruption policies, recognizing a gain of \$19.6 million upon settlement of the claim in fiscal 2016. As noted above, on May 30, 2017, the Company sold its Fannie May subsidiary to Ferrero.

On September 30, 2014, the Company completed its acquisition of 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 transaction, at a purchase price of \$142.5 million, included the Harry & David’s brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 48 Harry & David retail stores located throughout the country. Harry & David’s revenues were approximately \$386 million in fiscal 2014, with Adjusted EBITDA of approximately \$28 million. The historical results of Harry & David, as well as applicable pro forma results are included in the Company’s Form 8-K/A filed on December 16, 2014. It should be noted that due to the timing of the acquisition, the revenues and EBITDA for fiscal 2015 do not include the results of Harry & David for the fiscal first quarter of 2015, which is typically the lowest in terms of revenues, but includes significant losses due to the seasonality of its business.

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, the Company’s founder and current Executive Chairman of the Board, 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.

1-800-FLOWERS.COM, a leading florist and gift shop, offers a broad range of truly original gifts through a multi-channel strategy, making it easy for millions of customers to deliver smiles for every occasion. Complementing its retail, telephonic and ecommerce channels, 1-800-FLOWERS.COM is a pacesetter in social and mobile platforms, pioneering award-winning marketing programs and applications. As a result, the Company has developed relationships with customers who purchase products for both a wide range of celebratory gifting occasions as well as for everyday personal use. The Company offers a broad selection of unique products that a customer could expect to find in a high-end florist and gift 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 addition of Harry & David in September 2014 accelerated the Company's strategy to leverage its leadership position built in the floral gifting category to create what is fast becoming a leading position in the growing Gourmet Foods and Gift Baskets category.

The Company's Strategy

1-800-FLOWERS.COM's objective is to be 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, fruit bouquet arrangements, as well as gift-quality fruit baskets. 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. The Company's consolidated customer database and multi-brand website is designed to benefit all of its 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 through the Company's website via desktop or mobile devices, as well as through Alexa, Facebook Messenger, or through the Company's own, AI powered gift concierge "Gwyn", which leverages IBM's Watson platform to engage customers in a natural-language conversation to help guide them to the perfect gift across all of our brands. For those customers who prefer a personal gift advisor to assist them, the Company's toll-free telephone numbers are available 24 hours a day, seven days a week.
- **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 throughout the world. 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 across the country, and third-party vendors who ship directly to the Company's customers.
- **Selection** . Over the course of a year, the Company offers more than 11,000 varieties of fresh-cut flowers, floral and fruit bouquets and plants, and more than 11,200 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 customer service centers in Ohio and Oregon, 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, the Company continues to execute its vision to build a "Celebratory Ecosystem", including a collection of premium gifting brands, and an increasing suite of products and services designed to help our customers deliver smiles to the important people in their lives. The Company intends to accomplish this through organic development, and where appropriate, through acquisition of complementary businesses. A summary of the Company's more significant brands and/or businesses follows:








CONSUMER FLORAL SEGMENT

	<p>Direct-to-consumer provider of fresh flowers, plants, fruit and gift basket products, balloons, candles, keepsake gifts and plush stuffed animals.</p>
	<p>Direct-to-consumer provider of creatively carved fresh fruit arrangements.</p>
	<p>Franchisor and operator of retail flower shops, acquired in August 2011.</p>

BLOOMNET WIRESERVICE SEGMENT

	<p>Provider of products and services to the professional florist.</p>
	<p>Wholesale merchandiser and marketer of floral industry products, acquired in July 2008.</p>

GOURMET FOOD & GIFT BASKETS SEGMENT

	<p>Multi-channel specialty retailer and producer of premium gift quality fruit, gourmet food products and other gifts marketed under the Harry & David®, and Wolferman's® and Moose Munch® brands, acquired in September 2014.</p>
	<p>Manufacturer and retailer of indulgent bakery gifts, including super-thick English muffins, toppings, and desserts.</p>
	<p>Multi-channel retailer and manufacturer of small batch gourmet buttery caramel and chocolate covered popcorn.</p>
	<p>Manufacturer of giftable premium popcorn and specialty treats, acquired in May 2002.</p>
	<p>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.</p>
	<p>E-commerce retailer of gift baskets and towers.</p>
	<p>Designer, assembler and distributor of wholesale gift baskets, gourmet food towers and gift sets, acquired in April 2008.</p>

As a complement to the Company's own brands and product lines, the Company has formed strategic relationships with brands such as Lenox®, Waterford®, Yankee Candle®, Junior's® Cheesecakes, The Cheesecake Factory®, 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.

Although the Company's family of brands maintain their own sense of identity, the Company has created a holistic approach towards examining and operating the entire enterprise. A key feature of this approach is that the Company proactively shares best practices across all of its operational and functional areas, utilizing centers of excellence focused identifying initiatives designed to enhance top and bottom-line growth opportunities.

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. In 2017, 1-800-Flowers.com was awarded the Gold Stevie “e-Commerce Customer Service” Award, recognizing the company’s innovative use of online technologies and social media to service the needs of customers.
- *Maintain and enhance our Financial Strength and Flexibility* - by seeking ways to reduce our operating costs while strengthening our balance sheet and adding flexibility to our capital structure. During fiscal 2015, the Company completed the purchase of Harry & David and in order to finance the acquisition entered into a credit agreement consisting of a term loan and a new revolving credit facility, assuring capital availability and future flexibility. In December 2016, the Company amended and restated the previous credit agreement to, among other things, extend the maturity date of the \$115.0 million outstanding term loan and the revolving credit facility by approximately two years to December 23, 2021. In May 2017, the Company sold its underperforming Fannie May business, providing more than \$100 million in cash.
- *Continue to Innovate and Invest for the Future* - by investing in technology and new growth opportunities. During 2017, 1-800-FLOWERS.COM, Inc. was named to the Stores® 2017 Hot 100 Retailers list. This prestigious list, compiled annually by the National Retail Federation (NRF), ranks the nation’s fastest-growing retailers by year-over-year domestic sales growth. Earlier in the year, the Company was named the Gold Bridge winner for The Golden Bridge Awards in the “New Products and Services” category for the Company’s groundbreaking implementation of an artificial intelligence-powered online gift concierge, GYWN. 1-800-Flowers was named in Internet Retailer’s 2016 Top Mobile 500 as one of the world’s leading mobile commerce sites, and one of Internet Retailer’s Top 300 B2B e-commerce companies in 2015. In 2015, 1-800-FLOWERS.COM was named a winner of the “Best Companies to Work for in New York State” award by The New York Society for Human Resource Management (NYS-SHRM). The Company also continues to build on its reputation as an “innovator” and an “early adopter” of new technologies that can enhance customer engagement. This is illustrated by the Company’s initiatives in conversational commerce such as:
 - o industry-first applications on Facebook’s Messenger platform;
 - o voice-enabled skill on Amazon’s Alexa platform, and
 - o the Company’s own, A.I.-powered, gift concierge “Gwyn” – which leverages IBM’s Watson platform to help us engage customers in a natural-language conversation to help guide them to the perfect gift across all of the Company’s brands.

Business Segments

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, FruitBouquets.com and Flowerama, while the Gourmet Food and Gift Baskets segment includes the operations of Harry & David (which includes Wolferman’s®, Moose Munch and Stockyards.com), Cheryl’s (which includes Mrs. Beasley’s), The Popcorn Factory, DesignPac and 1-800-Baskets. The BloomNet Wire Service segment includes the operations of BloomNet and Napco.

On May 30, 2017 the Company sold its Fannie May subsidiary which was previously included within the Gourmet Food and Gift Baskets segment – see [Note 4](#). in Item 15 below for details.

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, wine, and gift-quality fruit. In order to maximize sales opportunities, products are not exclusive to certain brands, and may be sold across business categories. 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 2017, 2016 and 2015 approximately 1%, 1% and 2% respectively, of consolidated net revenue came from international 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 line of fruit arrangements under the Fruit Bouquets® brand (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. The 1-800-BASKETS.COM® brand features a collection of gourmet gift baskets and related products confectioned by DesignPac, as well as through third parties. Harry & David is a vertically integrated multi-channel specialty retailer and producer of branded premium gift-quality fruit, food products and gifts marketed under the Harry & David®, Wolferman’s® and Cushman’s® and MooseMunch® brands. 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.

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 create a celebratory ecosystem that makes its brands synonymous with thoughtful gifting and to help our customers "send smiles" every day. 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 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 also being included in the *Walk of Shame* movie. Our "Imagine the Smiles" program recognizes and celebrates members of our local communities, who are deserving of a smile, while our "Summer of a Million Smiles" charitable efforts deliver smiles to local charities, communities and service initiatives across the country. 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 improve customer purchase frequency via product exposure through its multi-brand portal, by providing value-added loyalty programs such as Celebrations Rewards, Reminders and Passport and always investing and innovating how and where we engage with our customers. Examples of these efforts include the Company's active social media presence, and use of new and innovative platforms to reach customers, whether it be GWYN's gift concierge functionality, which enables consumers to receive personalized gift suggestions, or Facebook's Messenger, or Amazon's Alexa voice-enabled platform. In addition, through customer panel research, the Company has created a number of signature products designed to increase everyday purchases, including the "a DOG-able™" and "Fabulous Feline™" collections, Cookie Flower and Emoji arrangements, Cookie Cards, Fruit Bouquets, as well as Harry & David's signature Comice pears and MooseMunch popcorn, all of which build upon the Company's efforts to offer unique products, a strategy which stems back to the Company's earliest signature collections such as the still popular "Birthday Cake" and "Happy Hour" collections.

Strategic Online Relationships. The Company promotes its products through strategic relationships with leading Internet portals, search engines, and mobile and online social networks.

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 its 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, as well as through the URL of any of our family of brands, all with full multi-brand functionality. Customers can come directly to the Company's websites or be linked by one of the Company's portal providers, search engine, affiliate or social media relationships. 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, gift-giving suggestions and reminder programs, party tips and planning, and information about special events and offers. The Company has designed its desktop and mobile 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 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 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 third-party relationships.

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.

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

Gourmet Foods and Gift Baskets. The Company offers a wide array of premium branded signature baked products, confections, gift baskets, gourmet popcorn, giftable fruit towers and baskets through its Gourmet Food and Gift Baskets' brands. The Company's cookie and baked gifts are fulfilled from its 88,000 square foot baking facility in Westerville, Ohio, 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. Harry & David products are grown, manufactured and distributed primarily from its 1,103,000 square foot facilities in Medford, Oregon, supplemented by a 331,000 square foot distribution center in Hebron, Ohio. Gift basket confection and fulfillment for both wholesale and 1-800-Baskets.com is handled by DesignPac, through its 250,000 square foot distribution center located in Melrose Park, Illinois. As of July 2, 2017, the Company operates 9 Cheryl's and 44 Harry & David retail stores.

Seasonality

The Company's quarterly results may experience seasonal fluctuations. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, including the acquisition of Harry & David on September 30, 2014, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, generates nearly 50% of the Company's annual revenues, and all of its earnings. Additionally, due to the number of major floral gifting occasions, including Mother's Day, Valentine's Day, Easter and Administrative Professionals Week, revenues also rise during the Company's fiscal third and fourth quarters in comparison to its fiscal first quarter. In fiscal 2016 the Easter Holiday was on March 27th, and as a result, all revenue and EBITDA associated with this holiday was within the Company's fiscal third quarter. In fiscal 2017, Easter was on April 16th, which resulted in the shift of some revenue and EBITDA from the Company's third quarter to its fourth quarter. Easter falls on April 1st in 2018, which will result in the shift of all Easter-related revenue and EBITDA back to the Company's third quarter of fiscal 2018.

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.

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”, “Cheryl ’s”, “Mrs. Beasley’s”, “Celebrations”, “Flowerama”, “DesignPac”, “Napco”, “Harry & David”, “Wolferman’s”, “MooseMunch” and “Cushman’s”. 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.cheryls.com, www.celebrations.com, www.flowerama.com, www.designpac.com, www.mybloomnet.net, www.napcoimports.com, www.thepopcornfactory.com, www.harryanddavid.com and www.wolfermans.com. In addition, the Company owns a number of international trademarks and/or service marks. The Company has also 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.

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 July 2, 2017, the Company had a total of 4,633 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 and consumer sentiment have and will experience significant volatility , 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. In recent past, 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.

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 impact of severe weather or natural disasters on consumer demand;
- 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, specialty gifts and gift-quality fruit, 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.



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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 and social media 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 or other parties involved (e.g. dock workers) 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.

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Similarly, the plant, gift basket, gourmet food, cookie, candy, fruit 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, especially with the acquisition of Harry & David, 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.

Our orchard production operations are subject to environmental laws and regulation and any failure to comply could result in significant fines or clean-up costs. We use herbicides, fertilizers and pesticides, some of which may be considered hazardous substances. Various federal, state, and local environmental laws, ordinances and regulations regulate our properties and farming operations and could make us liable for costs of removing or cleaning up hazardous substances on, under, or in property that we currently own or lease, that we previously owned or leased, or upon which we currently or previously conducted farming operations. These laws could impose liabilities without regard to whether we knew of, or were responsible for, the presence of hazardous substances. The presence of hazardous substances or the failure to properly clean up such substances when present, could jeopardize our ability to use, sell or collateralize certain real property and result in significant fines or clean-up costs, which could adversely affect our business, financial condition and results of operations. Future environmental laws could impact our farming operations or increase our cost of goods.

Various diseases, pests and certain weather conditions can affect fruit production. Various diseases, pests, fungi, viruses, drought, frosts, wildfires, floods and certain other weather conditions could affect the quality and quantity of our fruit production in our Harry & David orchards, decreasing the supply of our products and negatively impacting profitability. Our producing orchards also require adequate water supplies. A substantial reduction in water supplies could result in material losses of crops, which could lead to a shortage of our product supply.

The ripening of our fruits is subject to seasonal fluctuations which could negatively impact profitability. The ripening of our fruits in the Harry & David orchards can happen earlier than predicted due to warmer temperatures during the year. This would result in an oversupply of fruits which we might not be able to sell on a timely basis and could result in significant inventory write-offs. The ripening of the Company's fruits can also happen later than predicted due to colder temperatures during the year. This can cause a delay in product shipments and not being able to timely meet customer demand during the critical holiday season. Both of these scenarios could adversely affect our business, financial condition and results of operations.

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 could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business. We rely extensively on our computer systems 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. Our systems are subject to damage or interruption from computer viruses, malicious attacks and other security breaches. 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.

If our systems are damaged or fail to function properly or reliably, we may incur substantial repair or replacement costs, experience data loss or theft and impediments to our ability to conduct our operations. 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.

A privacy or data security breach could expose us to costly government enforcement actions and private litigation and adversely affect our business. An important component of our business involves the receipt and storage of information about our customers. We have programs in place to detect, contain and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, vendors, and temporary staff.

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.

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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.

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 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 and connectivity with its data 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 will be unable to generate revenue. The Company depends upon these third-party relationships because it does not have the resources to maintain its 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 Chief Executive Officer, 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.

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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 on 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 July 2, 2017 that remain unresolved.

Item 2 . PROPERTIES

The table below lists the Company 's properties at July 2, 2017:

Location	Type	Principal Use	Square Footage	Ownership
Melrose Park, IL	Office and warehouse	Distribution, administrative and customer service	250,000	leased
McCook, IL	Warehouse	Distribution - Holiday storage	200,000	leased
Carle Place, NY	Office	Headquarters	80,500	leased
Boston, MA	Fulfillment Center	Distribution	13,000	leased
Fort Lauderdale, FL	Fulfillment Center	Distribution	10,000	leased
Memphis, TN	Warehouse	Distribution	40,000	leased
New York, NY	Office	Administrative	3,700	leased
Bethpage, NY	Warehouse	Storage	500	leased
Miami, FL	Office	Administrative	900	leased
Reno, NV	Warehouse	Distribution	70,000	leased
Obetz, OH	Warehouse	Distribution	176,000	leased
Obetz, OH	Warehouse	Storage - Holiday	62,000	leased
Westerville, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	88,000	owned
Cedar Falls, IA	Office	Administrative	3,300	leased
Central Point, OR	Warehouse	Storage	17,000	leased
Hebron, OH	Office, plant and warehouse	Manufacturing, distribution and administrative	330,900	owned
Jackson County, OR	Orchards	Farming	41 (acres)	leased
Jackson County, OR	Orchards	Farming	1644 (acres)	owned
Jackson County, OR	Land	Fallow land	1677 (acres)	owned
Medford, OR	Office, plant and warehouse	Manufacturing, distribution and administrative	1,103,000	owned
Medford, OR	Warehouse	Storage	411,000	leased
Atlanta, GA	Showroom	Showroom	7,800	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

In addition to the above properties, the Company leases approximately 202,000 square feet for Company operated or franchised retail stores with lease terms typically ranging from 2 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

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries incident to the operations of its businesses. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such claims, lawsuits and pending actions will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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 July 2, 2017 and July 3, 2016.

	High	Low
Year ended July 2, 2017		
July 4, 2016 – October 2, 2016	\$ 9.99	\$ 8.78
October 3, 2016 – January 1, 2017	\$ 11.40	\$ 8.06
January 2, 2017 – April 2, 2017	\$ 11.05	\$ 8.67
April 3, 2017 – July 2, 2017	\$ 11.30	\$ 9.38
Year ended July 3, 2016		
June 29, 2015 – September 27, 2015	\$ 10.90	\$ 7.92
September 28, 2015 – December 27, 2015	\$ 10.88	\$ 6.80
December 28, 2015 – March 27, 2016	\$ 8.42	\$ 6.11
March 28, 2016 – July 3, 2016	\$ 8.38	\$ 6.74

Rights of Common Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions. During fiscal 2017 and fiscal 2016, 1,361,401 and 4,047,040 shares of Class B common stock, respectively, were converted into shares of Class A common stock.

Holders

As of September 5, 2017, there were approximately 255 stockholders of record of the Company's Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of September 5, 2017, there were approximately 8 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 October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to \$25 million. The Company repurchased a total of \$10.7 million (1,120,706 shares), \$15.2 million (1,714,550 shares) and \$8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, \$17.2 million remained 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 July 2, 2017, which includes the period July 4, 2016 through July 2, 2017:

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) (2)
<i>(in thousands, except average price paid per share)</i>				
07/04/16 - 07/31/16	95.0	\$ 9.31	95.0	\$ 11,161
08/01/16 - 08/28/16	100.0	\$ 9.31	100.0	\$ 10,227
08/29/16 - 10/02/16	123.6	\$ 9.21	123.6	\$ 9,085
10/03/16 - 10/30/16	119.3	\$ 9.33	119.3	\$ 23,883
10/31/16 - 11/27/16	286.9	\$ 9.41	286.9	\$ 21,184
11/28/16 - 01/01/17	4.1	\$ 10.48	4.1	\$ 21,141
01/02/17 - 01/29/17	59.5	\$ 10.11	59.5	\$ 20,538
01/30/17 - 02/26/17	90.3	\$ 9.43	90.3	\$ 19,686
02/27/17 - 04/02/17	-	-	-	\$ 19,656
04/03/17 - 04/30/17	-	-	-	\$ 19,656
05/01/17 - 05/28/17	92.4	\$ 10.50	92.4	\$ 18,713
05/29/17 - 07/02/17	149.6	\$ 9.89	149.6	\$ 17,229
Total	<u>1,120.7</u>	<u>\$ 9.56</u>	<u>1,120.7</u>	

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

(2) On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to \$30.0 million.

Item 6. SELECTED FINANCIAL DATA

The selected consolidated statement of operations data for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 and the consolidated balance sheet data as of July 2, 2017 and July 3, 2016, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for the years ended June 29, 2014 and June 30, 2013, and the selected consolidated balance sheet data as of June 28, 2015, June 29, 2014 and June 30, 2013, 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 income and balance sheet data. The Company acquired Harry & David in September 2014, acquired iFlorist in December 2013 (subsequently disposed in October 2015), Pingg Corp. in May 2013 (subsequently disposed of in June 2015), and Fine Stationery, Inc. in May 2011 (subsequently disposed of in June 2015). The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. In May 2017, the Company completed the disposition of its Fannie May business. The following data reflects the results of operations of these subsidiaries until their dates of disposition. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of Winetasting Network as discontinued operations for fiscal 2014, 2013 and 2012. 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				
	July 2, 2017	July 3, 2016	June 28, 2015	June 29, 2014	June 30, 2013
Consolidated Statement of Income Data:					
	<i>(in thousands, except per share data)</i>				
Net revenues	\$ 1,193,625	\$ 1,173,024	\$ 1,121,506	\$ 756,345	\$ 735,497
Cost of revenues	673,344	655,566	634,311	440,672	430,305
Gross profit	520,281	517,458	487,195	315,673	305,192
Operating expenses:					
Marketing and sales	317,527	318,175	299,801	194,847	186,720
Technology and development	38,903	39,234	34,745	22,518	21,700
General and administrative	84,116	84,383	85,908	54,754	52,188
Depreciation and amortization	33,376	32,384	29,124	19,848	18,798
Total operating expenses	473,922	474,176	449,578	291,967	279,406
Operating income	46,359	43,282	37,617	23,706	25,786
Interest expense, net	5,821	6,674	5,753	1,305	1,713
Other (income) expense, net	(15,471)	(14,839)	1,550	52	(722)
Income from continuing operations before income taxes	56,009	51,447	30,314	22,349	24,795
Income tax expense from continuing operations	11,968	15,579	10,930	8,403	9,073
Income from continuing operations	44,041	35,868	19,384	13,946	15,722
Income (loss) from discontinued operations, net of tax	-	-	-	729	(3,401)
Net income	44,041	35,868	19,384	14,675	12,321
Less: Net loss attributable to noncontrolling interest	-	(1,007)	(903)	(697)	-
Net income attributable to 1-800-FLOWERS.COM, Inc.	\$ 44,041	\$ 36,875	\$ 20,287	\$ 15,372	\$ 12,321
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	\$ 0.68	\$ 0.57	\$ 0.31	\$ 0.23	\$ 0.24
From discontinued operations	-	-	\$ 0.00	\$ 0.01	(0.05)
Basic net income per common share	\$ 0.68	\$ 0.57	\$ 0.31	\$ 0.24	\$ 0.19
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	\$ 0.65	\$ 0.55	\$ 0.30	\$ 0.22	\$ 0.24
From discontinued operations	-	-	\$ 0.00	\$ 0.01	(0.05)
Diluted net income per common share	\$ 0.65	\$ 0.55	\$ 0.30	\$ 0.23	\$ 0.19
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	65,191	64,896	64,976	64,035	64,369
Diluted	67,735	67,083	67,602	66,460	66,792

	<u>July 2, 2017</u>	<u>July 3, 2016</u>	<u>As of</u> <u>June 28, 2015</u> <i>(in thousands)</i>	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 149,732	\$ 27,826	\$ 27,940	\$ 5,203	\$ 154
Working capital	132,227	45,798	36,361	17,511	16,886
Total assets	552,470	502,941*	501,946	267,569	250,073
Long -term liabilities	145,056	139,494*	168,083	7,144	5,039
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	282,239	242,586	208,449	183,228	169,271

* In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." The Company adopted this ASU in fiscal 2017, and the impact of the adoption of the new guidance was to reclassify \$3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 3, 2016 – see [Note 2](#). in Item 15 below for details. We have not reclassified other fiscal years for the purposes of this presentation.

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."

Business overview

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gourmet food and floral gifts for all occasions. For the past 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift. The Company's Celebrations suite of services including Celebrations Passport Free Shipping Program, Celebrations Rewards and Celebrations Reminders, are all designed to engage with customers and deepen relationships as a one-stop destination for all celebratory and gifting occasions. In 2017, 1-800-FLOWERS.COM, Inc. was named as the Gold Winner for The Golden Bridge Awards in the "New Products and Services" category for the company's groundbreaking implementation of an artificial intelligence-powered online gift concierge, GWYN. Earlier in the year, 1-800-Flowers.com was awarded the Gold Stevie "e-Commerce Customer Service" Award, recognizing the company's innovative use of online technologies and social media to service the needs of customers. In addition, 1-800-FLOWERS.COM, Inc. was recognized as one of Internet Retailer's Top 300 B2B e-commerce companies in 2015 and was also recently named in Internet Retailer's 2016 Top Mobile 500 as one of the world's leading mobile commerce sites. The company was included in Internet Retailer's 2015 Top 500 for fast growing e-commerce companies. In 2015, 1-800-Flowers.com was named a winner of the "Best Companies to Work for in New York State" Award by The New York Society for Human Resource Management (NYS-SHRM).

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, Inc. "Gift Shop" also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200) or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl's® (1-800-443-8124 or www.cheryls.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

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

The Company has organized its operations into three categories, or segments: Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets, reflecting the way the Company evaluates its business performance and manages its operations.

On May 30, 2017, the Company completed the sale of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. ("Fannie May") to Ferrero International S.A., a Luxembourg corporation ("Ferrero"). The Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May related to the business of Fannie May and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

On September 30, 2014, the Company completed its acquisition of 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.

During fiscal 2017, the Company was able to achieve a number of operational and financial milestones:

- *Continued improved operating results* – Overall revenues were \$1.194 billion, an increase of 1.8% in comparison to fiscal 2016 (up 3.1% after adjusting for several issues affecting year over year comparability, discussed in more detail below within results of operations). Income from operations improved from \$43.3 million in fiscal 2016 to \$46.4 million in fiscal 2017, while Adjusted EBITDA improved from \$85.7 million in fiscal 2016 to \$87.2 million in fiscal 2017. These results were driven by revenue growth and improved operating performance within the Consumer Floral and BloomNet Wire Service segments, despite the competitive and promotional environment in which these businesses operate. These favorable results were partially offset by underperformance within the Gourmet Foods & Gift Baskets segment, primarily reflecting revenue declines within the Harry & David brand during the December 2016 holiday season.
- *Strengthened balance sheet* - Throughout fiscal 2017, the Company continued its responsible stewardship of shareholders' capital. On May 30, 2017, the Company completed the sale of its Fannie May and Harry London brands, at a price of \$115.0 million, which, when adjusted for a seasonal working capital reduction of \$11.4 million, resulted in a gain of \$14.6 million, while adding approximately \$103.6 million of cash to its balance sheet. When combined with the Company's improved operating results and amended credit facility, which in December 2016 was extended by approximately two years, to December 23, 2021, the Company believes that its strong balance sheet, and growing cash flows, provide it with significant liquidity and flexibility to invest and enhance future growth, both organically, as well as through potential acquisitions.
- *Investment in business operations* – In fiscal 2017, the Company continued to invest in the key areas that will allow for accelerated growth in the future, including:
 - (i) Manufacturing, production and distribution - expanded production capacity for Cheryl's, Harry & David orchard plantings and manufacturing, as well as fulfillment technology upgrades,
 - (ii) Technology – improved multi-brand website functionality and industry award winning mobile transactional platforms, and
 - (iii) Business Intelligence – customer database mining to effectively market and target key demographics
- *Multi-Brand Customer Initiatives* - The Company continued to expand its multi-brand customer initiatives, a key ingredient in our strategy to enhance customer engagement and facilitate long-term growth. The multi-brand website provides the customer with an enriched shopping experience using cross-brand marketing and merchandising programs and through the use of the Company's Celebrations suite of services, including Celebrations Passport free shipping, Rewards and Reminders membership programs.

- *Innovation and positioning for emerging technologies* – The Company has built a reputation as an innovator and an early adopter of new technologies. This was illustrated by the Company’s initiatives in Conversational Commerce, including:
 - (i) Floral industry-first applications on Facebook ’s Messenger platform
 - (ii) Voice enabled skill on Amazon ’s Alexa platform
 - (iii) Our own, Artificial Intelligence (“A.I.”) -powered gift concierge “Gwyn” – which leverages IBM’s Watson platform to help us engage customers in a natural-language conversation to help guide them to the perfect gift across all of our brands.

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Recognizing the need to balance the Company's short and long-term operating and financial objectives, a key tenet of the Company's fiscal 2018 strategy, now that the sale of Fannie May has been completed, is to refocus efforts to grow revenues in the Gourmet Foods & Gift Baskets segment, with specific emphasis on re-invigorating growth within Harry & David, while continuing to extend the 1-800-Flowers brand's market leadership position.

Reflecting the sale of the Fannie May business in fiscal 2017, the Company expects fiscal 2018 consolidated revenues to be in a range of \$1.14 billion - to - \$1.16 billion. In terms of bottom-line results, the Company expects EPS in a range of \$0.46 - to - \$0.48 (anticipating a normalized effective tax rate of 35 percent), and EBITDA in a range of \$90 million - to - \$93 million.

Definitions of non-GAAP financial measures:

We sometimes use financial measures derived from consolidated financial information, but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. See below for the definitions and the reasons we use these non-GAAP financial measures. Where applicable, see the [Category Information](#) and the [Results of Operations](#) sections below for reconciliations of these non-GAAP measures to their most directly comparable GAAP financial measures.

Comparable revenues:

Comparable revenues measures GAAP revenues adjusted for the effects of acquisitions, dispositions, timing factors and other items affecting period to period comparability – see [Results of Operations](#) section below for details on how comparable revenues were calculated in each of the fiscal years presented.

We believe that this measure provides management and investors with a more complete understanding of underlying revenue trends of established, ongoing operations by excluding the effect of activities which are subject to volatility and can obscure underlying trends.

Management recognizes that the term "comparable revenues" may be interpreted differently by other companies and under different circumstances. Although this may have an effect on comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the Company and its segments, and may therefore be a useful tool in assessing period-to-period performance trends.

EBITDA and Adjusted EBITDA:

We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, adjusted for certain items affecting period to period comparability. Adjusted EBITDA for fiscal 2017 excludes certain charges including severance and investment gains associated with the Company's non-qualified 401k executive compensation plan, EBITDA and Adjusted EBITDA for fiscal 2016 exclude investment losses associated with the Company's non-qualified 401k executive compensation plan, litigation settlement costs, as well as final integration costs, including severance expenses, associated with Harry & David and the rightsizing of the Fannie May operations, prior to disposition.

The Company presents EBITDA and Adjusted EBITDA because it considers such information meaningful supplemental measures of its performance and believes such information is frequently used by the investment community in the evaluation of similarly situated companies. The Company uses EBITDA and Adjusted EBITDA as factors used to determine the total amount of incentive compensation available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and Adjusted EBITDA to measure compliance with covenants, such as leverage and coverage. EBITDA and Adjusted EBITDA are also used by the Company to evaluate and price potential acquisition candidates.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of the limitations are: (a) EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA and Adjusted EBITDA do 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. EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Category contribution margin:

We define category contribution margin as earnings before interest, taxes, depreciation and amortization, before the allocation of corporate overhead expenses.

When viewed together with our GAAP results, we believe that category contribution margin provides management and users of the financial statements information about the performance of our business segments.

Category contribution margin is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. The material limitation associated with the use of the category contribution margin is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

Adjusted net income and Adjusted net income per common share :

We define Adjusted net income and Adjusted net income per common share as net income and net income per common share adjusted for certain items affecting period to period comparability. Adjusted net income and Adjusted net income per common share for fiscal 2017 exclude certain charges including Harry & David severance and the gain on the sale of Fannie May. Adjusted net income and Adjusted net income per common share for fiscal 2016 exclude: (i) the gain from insurance recovery on the Fannie May warehouse fire, (ii) loss on the sale of iFlorist, and the impairment of a foreign equity method investment, (iii) Harry & David integration costs, (iv) litigation settlement costs as well as (v) severance expenses associated with Harry & David and the rightsizing of the Fannie May operations, prior to disposition.

We believe that Adjusted net income and Adjusted net income per common share are meaningful measures because they increase the comparability of period to period results.

Since these are not measures of performance calculated in accordance with GAAP, they should not be considered in isolation of, or as a substitute for, GAAP Net income and net income per common share as indicators of operating performance and they may not be comparable to similarly titled measures employed by other companies.

Category Information

The following table presents the net revenues, gross profit and category contribution margin from each of the Company's business segments, as well as consolidated EBITDA and Adjusted EBITDA.

	Years Ended										
	Compensation Charge related to NQ Plan			Adjusted (non-GAAP) July 2, 2017	Harry & David Integration Costs			Compensation Charge related to NQ Plan			Adjusted (non-GAAP) July 3, 2016
	July 2, 2017	Investment Appreciation	Severance Costs		July 3, 2016	Litigation Settlement	Investment Appreciation	Severance Costs	July 3, 2016		
	<i>(in thousands)</i>										
Net revenues:											
1-800-Flowers.com Consumer											
Floral	\$ 437,132	\$ -	\$ -	\$ 437,132	\$ 418,492	\$ -	\$ -	\$ -	\$ -	\$ 418,492	
BloomNet Wire Service	87,700			87,700	85,483					85,483	
Gourmet Food & Gift Baskets											
Baskets	670,677			670,677	670,453					670,453	
Corporate	1,102			1,102	1,066					1,066	
Intercompany eliminations	(2,986)			(2,986)	(2,470)					(2,470)	
Total net revenues	\$ 1,193,625	\$ -	\$ -	\$ 1,193,625	\$ 1,173,024	\$ -	\$ -	\$ -	\$ -	\$ 1,173,024	
Gross profit:											
1-800-Flowers.com Consumer											
Floral	\$ 177,488	\$ -	\$ -	\$ 177,488	\$ 170,536	\$ -	\$ -	\$ -	\$ -	\$ 170,536	
	40.6%			40.6%	40.8%					40.8%	
BloomNet Wire Service											
Wire Service	49,562			49,562	48,169					48,169	
	56.5%			56.5%	56.3%					56.3%	
Gourmet Food & Gift Baskets											
Baskets	292,199			292,199	297,782					297,782	
	43.6%			43.6%	44.4%					44.4%	
Corporate (a)	1,032			1,032	971					971	
	93.6%			93.6%	91.1%					91.1%	
Total gross profit	\$ 520,281	\$ -	\$ -	\$ 520,281	\$ 517,458	\$ -	\$ -	\$ -	\$ -	\$ 517,458	
	43.6%			43.6%	44.1%					44.1%	
Category Contribution Margin (non-GAAP):											
1-800-Flowers.com Consumer											
Floral	\$ 51,860	\$ -	\$ -	\$ 51,860	\$ 50,773	\$ -	\$ -	\$ -	\$ -	\$ 50,773	
BloomNet Wire Service	32,383			32,383	30,629					30,629	
Gourmet Food & Gift Baskets											
Baskets	77,312		756	78,068	79,398					79,398	
Category Contribution Margin Subtotal	161,555		756	162,311	160,800					160,800	
Corporate (a)	(81,820)	988		(80,832)	(85,134)	828	1,500	(122)	1,437	(81,491)	

EBITDA (non-GAAP)	\$	79,735	\$	988	\$	756	\$	81,479	\$	75,666	\$	828	\$	1,500	\$	(122)	\$	1,437	\$	79,309
Add: Stock-based compensation		5,694				5,694		6,343												6,343
EBITDA, excluding stock-based compensation (Non-GAAP)	\$	<u>85,429</u>	\$	<u>988</u>	\$	<u>756</u>	\$	<u>87,173</u>	\$	<u>82,009</u>	\$	<u>828</u>	\$	<u>1,500</u>	\$	<u>(122)</u>	\$	<u>1,437</u>	\$	<u>85,652</u>

Reconciliation of Net income to Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.:

	Years Ended	
	July 2, 2017	July 3, 2016
	<i>(in thousands)</i>	
Net income	\$ 44,041	\$ 35,868
Less: Net loss attributable to noncontrolling interest	-	(1,007)
Income attributable to 1-800-FLOWERS.COM, Inc.	44,041	36,875
Adjustments to reconcile income attributable to 1-800-FLOWERS.COM, Inc. to Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.		
Deduct: Gain from sale of Fannie May	14,607	-
Deduct: Gain from insurance recovery on warehouse fire	-	19,611
Add back: Loss on sale/impairment of iFlorist	-	2,121
Add back: Impairment of foreign equity method investment	-	1,728
Add back: Harry & David integration costs	-	828
Add back: Litigation costs	-	1,500
Add back: Severance costs	756	1,437
Add back: income tax expense/(benefit) effect on adjustments	(1,025)	3,633
Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.	<u>\$ 29,165</u>	<u>\$ 28,511</u>
Net income per common share attributable to 1-800-FLOWERS.COM, Inc.		
Basic	\$ 0.68	\$ 0.57
Diluted	<u>\$ 0.65</u>	<u>\$ 0.55</u>
Adjusted (non-GAAP) net income per common share attributable to 1-800-FLOWERS.COM, Inc.		
Basic	\$ 0.45	\$ 0.44
Diluted	<u>\$ 0.43</u>	<u>\$ 0.43</u>
Weighted average shares used in the calculation of GAAP income and Adjusted (non-GAAP) income per common share attributable to 1-800-FLOWERS.COM, Inc.		
Basic	65,191	64,896
Diluted	<u>67,735</u>	<u>67,083</u>

Reconciliation of income attributable to 1-800-Flowers.com, Inc. to Adjusted EBITDA (Non-GAAP), excluding stock-based compensation :

	Years Ended	
	July 2, 2017	July 3, 2016
	<i>(in thousands)</i>	
Income attributable to 1-800-FLOWERS.COM, Inc.	\$ 44,041	\$ 36,875
Add:		
Interest expense and other, net	4,957	7,597
Depreciation and amortization	33,376	32,384
Income tax expense	11,968	15,579
Loss on sale/impairment of iFlorist	-	2,121
Impairment of foreign equity method investment	-	1,728
Less:		
Net loss attributable to noncontrolling interest	-	1,007
Income tax benefit	-	-
Gain from sale of Fannie May	14,607	-
Gain from insurance recovery on warehouse fire	-	19,611
EBITDA (non-GAAP)	79,735	75,666
Add: Integration costs	-	828
Add: Litigation settlement	-	1,500
Add: Compensation Charge related to NQ Plan Investment Appreciation	988	(122)
Add: Severance costs	756	1,437
Adjusted EBITDA (non-GAAP)	81,479	79,309
Add: Stock-based compensation	5,694	6,343
Adjusted EBITDA (non-GAAP), excluding stock-based compensation	<u>\$ 87,173</u>	<u>\$ 85,652</u>

(a) 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, and 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.

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 2017 and 2015, which ended on July 2, 2017 and June 28, 2015, respectively consisted of 52 weeks. Fiscal year 2016, which ended on July 3, 2016, consisted of 53 weeks.

Net Revenues

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Net revenues:					
E-Commerce	\$ 896,762	1.6%	\$ 882,782	3.9%	\$ 849,853
Other	296,863	2.3%	290,242	6.8%	271,653
	\$ 1,193,625	1.8%	\$ 1,173,024	4.6%	\$ 1,121,506

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

During the year ended July 2, 2017, net revenues increased 1.8% in comparison to the prior year, as a result of growth within the Company's Consumer Floral and BloomNet segments, with the 1-800-Flowers.com brand continuing to extend its market leadership position, driven by increased demand throughout the year, particularly during the Valentine's Day holiday. The increases above were partially offset by a decline in Harry & David revenues, due to the closure of a number of underperforming retail locations, and a reduction in e-commerce demand, primarily during the Christmas holiday selling season, and the timing of certain factors including: (i) the closing of the Company's sale of the Fannie May Confection Brands business on May 30, 2017, (ii) a 52-week fiscal year in fiscal 2017 versus 53-week fiscal year in fiscal 2016, reflecting the Company's retail calendar, and (iii) the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove: (i) the 53rd week (\$8.0 million), (ii) Fannie May's June 2016 revenues (\$4.8 million) and (iii) the June 2016 Harry & David Fruit of the Month Club® cherry shipment (\$2.4 million), net revenues during fiscal 2017 increased 3.1% in comparison to fiscal 2016.

During the year ended July 3, 2016, net revenues increased 4.6% in comparison to the prior year, as a result of growth within the Gourmet Food and Gift Baskets segment due to the incremental revenue generated by Harry & David, which was acquired on September 30, 2014 (pre-acquisition revenues generated by Harry & David during the quarter ended September 28, 2014 was \$29.4mm), the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire (estimated to be \$17.3mm), organic growth of 1-800-Flowers.com, Cheryl's and 1-800-Baskets wholesale gift business, and the impact of the 53rd week in fiscal 2016, partially offset by the impact of the Sunday date placement of Valentine's Day, and the dispositions of the iFlorist and Fine Stationery businesses in October 2015 and June 2015, respectively (which generated a combined \$12.1 million of incremental revenues in the prior year), slower recovery by the Fannie May brand after the fire, and a year-over-year reduction in the Harry & David store count. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week (\$8.3 million) and adjust fiscal year 2015 GAAP revenues to: (i) add Harry & David, first quarter of 2015 revenues (\$29.4 million), (ii) add the estimated revenue impact of the Fannie May fire (\$17.3 million), (iii) add Harry & David purchase accounting adjustments (\$1.6 million), and (iv) remove Fine Stationery and iFlorist revenues (\$12.1 million), net revenues during fiscal 2016 increased 0.6% in comparison to fiscal 2015.

E-commerce revenues (combined online and telephonic sales channels) increased 1.6% during the year ended July 2, 2017 compared to the prior year, as a result of the aforementioned e-commerce growth within the Company's Consumer Floral segment, partially offset by unfavorable e-commerce growth within the Gourmet Foods & Gift Baskets segment due to the Company's sale of the Fannie May Confection Brands business on May 30, 2017, a decrease in demand within the Harry & David brand during the Christmas Holidays, and the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018, as well as the impact of the 53rd week in fiscal 2016. The Company fulfilled approximately 12.3 million e-commerce orders, with an average order value of \$73.12, during fiscal 2017, representing increases of 0.6% and 1.0%, respectively, compared to fiscal 2016.

E-commerce revenues increased 3.9%, during the year ended July 3, 2016 compared to the prior year, due to growth within the Gourmet Food and Gift Baskets segment, as a result of the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire, organic growth within the 1-800-Flowers.com Cheryl's brands, and the impact of the 53rd week, and partially offset by the impact of the dispositions of iFlorist and Fine Stationery in October 2015 and June 2015, respectively, and the anticipated decline in revenues due to the Sunday date placement of Valentine's Day. The Company fulfilled approximately 12.2 million e-commerce orders, with an average order value of \$72.64, during fiscal 2016, representing increases of 1.4% and 2.4%, respectively, compared to fiscal 2015.

Other revenues, comprised of the Company's BloomNet Wire Service segment, as well as the wholesale and retail sales channels of the 1-800-Flowers.com Consumer Floral and Gourmet Food and Gift Baskets segments, increased by 2.3% and 6.8% during fiscal 2017 and fiscal 2016, respectively. The increase in fiscal 2017 was attributable to the BloomNet segment which increased revenues through improvements in membership, transaction and ancillary service fees, as well as from the Gourmet Food and Gift Baskets segment, resulting from wholesale growth within the Fannie May, Harry & David and 1-800-Baskets wholesale gift businesses. This favorability was partially offset by a decrease in retail store sales within Fannie May, due to a decline in customer traffic, as well as a decline in Harry & David retail store sales due to the closure of several underperforming locations. The increase in fiscal 2016 was due to growth within the Gourmet Food and Gift Baskets segment, resulting from the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, organic growth of Cheryl's and 1-800-Baskets wholesale gift business, and the impact on prior year revenues of the Thanksgiving 2014 Fannie May warehouse fire, partially offset by the Sunday date placement of Valentine's Day and a year-over-year reduction in the Harry & David store count.

The 1-800-Flowers.com Consumer Floral segment includes the operations of the 1-800-Flowers.com brand, which derives revenue from the sale of consumer floral products through its e-commerce sales channels (telephonic and online sales) and royalties from its franchise operations, as well as iFlorist, a UK based e-commerce retailer of floral products (through the date of its disposition in October 2015), and Fine Stationery, an e-commerce retailer of stationery products (through the date of its disposition in June 2015). Net revenues during the fiscal year ended July 2, 2017 increased 4.5%, as a result of increased order demand throughout the year, and during the Valentine's Day holiday in particular, when the Company was able to leverage the holiday's Tuesday date placement, in comparison to the prior year when Valentine's Day fell on a Sunday. The brand was successful at growing its "everyday" business, including birthdays, anniversaries, sympathy and "just because," due to expanded merchandise assortments, including the Flirty Feline® floral arrangement, and efforts to capitalize on its same day/next day delivery capabilities. These increases were partially offset by the impact of the 53rd week fiscal 2016, reflecting the Company's retail calendar. On a comparable basis, adjusting fiscal 2016 GAAP revenues to remove the 53rd week (\$4.8 million), fiscal 2017 net revenues increased 5.7% in comparison to fiscal 2016. Net revenues during the fiscal year ended July 3, 2016 decreased 0.9% as a result of lower order volume resulting from the Sunday date placement of Valentine's Day, and the dispositions of iFlorist and Fine Stationery, partially offset by organic growth by the 1-800-Flowers.com

brand and the impact of the 53rd week. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week (\$4.8 million) and adjust fiscal year 2015 GAAP revenues to remove Fine Stationery and iFlorist revenues (\$12.1 million), fiscal 2016 net revenues increased 0.8% in comparison to fiscal 2015.

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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 July 2, 2017 increased 2.6% in comparison to the prior year, due to an increase in order volume processed through the network, driven primarily by the increase in 1-800-Flowers volume noted above, which enabled BloomNet to generate increased membership, transaction and ancillary revenue improvements. These improvements were partially offset by lower wholesale product revenue as a result of decreased demand and network shop count. Net revenues during the fiscal year ended July 3, 2016 decreased 0.6% due to lower transaction and ancillary fee revenues as a result of unfavorable shop to shop order volume sent through the network due in part to the Sunday date placement of Valentine's Day, partially offset by increased revenue as a result of BloomNet initiatives including the annualization of a florist transaction program implemented in the 3rd quarter of fiscal 2015.

The Gourmet Food & Gift Baskets segment includes the operations of Harry & David, Wolferman's, Stockyards, Cheryl's, Fannie May (through the date of its disposition in May 2017), The Popcorn Factory and 1-800-Baskets/DesignPac. Revenue is derived from the sale of gourmet fruits, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops through the Company's e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Harry & David, Cheryl's and Fannie May (through the date of its disposition in May 2017) brand names, as well as wholesale operations. Net revenue during the fiscal year ended July 2, 2017 was consistent with fiscal 2016, as revenue growth within the Popcorn Factory, 1-800-Baskets/DesignPac, Fannie May and Cheryl's brands was offset by a decline in Harry & David revenues, due to the closure of a number of underperforming retail locations, and a reduction in e-commerce demand, primarily during the Christmas holiday selling season, and the timing of certain factors including: (i) the Company's sale of the Fannie May Confection Brands business on May 30, 2017, (ii) a 52-week fiscal year in fiscal 2017 versus 53-week fiscal year in fiscal 2016, reflecting the Company's retail calendar, and (iii) the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove: (i) the 53rd week (\$3.2 million), (ii) Fannie May's June 2016 revenues (\$4.8 million) and (iii) the June 2016 Harry & David Fruit of the Month Club® cherry shipment (\$2.4 million), net revenues during fiscal 2017 increased 1.6% in comparison to fiscal 2016.

Net revenue during the fiscal year ended July 3, 2016 increased 9.2% in comparison to the prior year, as a result of the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, and the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire, organic growth of Cheryl's and 1-800-Baskets wholesale gift business, and the impact of the 53rd week. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week (\$3.5 million) and adjust fiscal year 2015 GAAP revenues to: (i) add Harry & David, first quarter of 2015 revenues (\$29.3 million), (ii) add estimated revenue impact of the Fannie May fire (\$16.9 million), (iii) add Harry & David purchase accounting adjustments (\$1.6 million), net revenues during fiscal 2016 increased 0.8% in comparison to fiscal 2015.

In fiscal 2018, the Company expects to grow revenues across all three of its business segments with consolidated revenue in a range of \$1.14 billion - to - \$1.16 billion.

Gross Profit

	Years Ended				
	<u>July 2, 2017</u>	<u>% Change</u>	<u>July 3, 2016</u>	<u>% Change</u>	<u>June 28, 2015</u>
	<i>(dollars in thousands)</i>				
Gross profit	\$ 520,281	0.5%	\$ 517,458	6.2%	\$ 487,195
Gross margin %	43.6%		44.1%		43.4%

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

Gross profit increased 0.5% during the fiscal year ended July 2, 2017 in comparison to the prior year, primarily as a result of the incremental revenue noted above, partially offset by a decline in gross profit margin as a result of annual shipping rate increases, product mix, and increased promotions during the year.

Gross profit increased 6.2 % during the fiscal year ended July 3, 2016 in comparison to the prior year, primarily as a result of the incremental revenue noted above, as well as a 70 basis points increase in gross profit margin due to sourcing and logistics synergy savings, the mix of sales associated with the recovery from the Thanksgiving Day Fannie May warehouse fire, and the impact of purchase accounting adjustments related to Harry & David's inventory fair value step-up in the year ended June 28, 2015.

The 1-800-Flowers.com Consumer Floral segment gross profit increased by 4.1% during the fiscal year ended July 2, 2017, in comparison to the prior year, as a result of the increase in revenues noted above, partially offset by a 20 basis point decrease in gross profit margin, from 40.8% to 40.6%. This decrease in gross profit margin was primarily due to annual shipping rate increases, as well as increased promotional activity during the year. The 1-800-Flowers.com Consumer Floral segment gross profit increased by 2.9% during the fiscal year ended July 3, 2016 in comparison to the prior year, due to an improvement in gross profit percentage of 160 basis points driven by the benefit of synergy savings, which reduced shipping costs, as well as sourcing improvements and reductions in discounts, partially offset by the decrease in revenues noted above.

BloomNet Wire Service segment's gross profit increased by 2.9% during the fiscal year ended July 2, 2017 in comparison to the prior year, as a result of the increase in sales noted above, as well as a 20 basis point increase in gross margin percentage, from 56.3% to 56.5%, related to sales mix. BloomNet Wire Service segment's gross profit increased by 0.5% during the fiscal year ended July 3, 2016, in comparison to the prior year, while gross margin percentage increased 60 basis points, as a result of sales mix and lower rebates associated with the decline in shop-to-shop order volume.

The Gourmet Food & Gift Baskets segment gross profit decreased by 1.9% during the fiscal year ended July 2, 2017, in comparison to the prior year, due to a decrease of 80 basis points in gross profit margins, from 44.4% to 43.6%, as revenues were consistent with the prior year. The decrease in gross profit margin percentage was due to declines at Harry & David and Fannie May as a result of product mix and unfavorable volume-related absorption, partially offset by favorable gross profit margins at Cheryl's and DesignPac due to production process improvements and reduced shipping expenses due to improved ground shipping conversion rates.

The Gourmet Food & Gift Baskets segment gross profit increased by 9.2% during the fiscal year ended July 3, 2016 in comparison to the prior year, as a result of the increase in revenues noted above. Gross margin percentage of 44.4% was consistent with the prior year as the difficulties encountered by Fannie May in its efforts to recover after the fire were offset by the impact of purchase accounting adjustments related to Harry & David's inventory fair value step-up in the year ended June 28, 2015.

In fiscal 2018, the Company expects its gross profit to improve due to sales growth and stronger gross profit margin as a result of various initiatives we are implementing in manufacturing and the supply/fulfillment chain.

Marketing and Sales Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Marketing and sales	\$ 317,527	-0.2%	\$ 318,175	6.1%	\$ 299,801
Percentage of sales	26.6%		27.1%		26.7%

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.

Marketing and sales expenses declined slightly and decreased as a percentage of revenues (26.6% in fiscal 2017 vs. 27.1% in fiscal 2016), as a result of a decrease in labor costs due to a reduction in performance based bonuses, as well as reductions in labor and facility costs associated with closure of a number of underperforming Harry & David retail locations, partially offset by higher marketing spend within the Consumer Floral segment, primarily around the Mother's Day holiday.

Marketing and sales expenses increased 6.1% (27.1% as a percentage of revenues) during the fiscal year ended July 3, 2016 compared to the prior year (26.7% as a percentage of revenues) primarily due to the incremental marketing expenses of Harry & David, which was acquired on September 30, 2014.

During the fiscal year ended July 2, 2017, the Company added approximately 3.6 million new e-commerce customers, compared to 3.5 million in both fiscal 2016 and 2015. Approximately 48% of customers who placed e-commerce orders during fiscal 2017 were repeat customers compared to approximately 50% in both fiscal 2016 and fiscal 2015.

Technology and Development Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Technology and development	\$ 38,903	-0.8%	\$ 39,234	12.9%	\$ 34,745
Percentage of sales	3.3%		3.3%		3.1%

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

Technology and development expenses decreased 0.8% (3.3% as a percentage of revenues) during the fiscal year ended July 2, 2017 compared to the prior year (3.3% as a percentage of revenues) primarily due to lower labor costs, due to reduced headcount and a reduction in performance based bonuses, partially offset by increased license and maintenance costs related to system security, and platform improvements.

Technology and development expenses increased 12.9% (3.3% as a percentage of revenues) during the fiscal year ended July 3, 2016 compared to the prior year (3.1% as a percentage of revenues) primarily due to the incremental technology and development costs of Harry & David, which was acquired on September 30, 2014.

During the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, the Company expended \$59.2 million, \$60.6 million and \$52.1 million, respectively, on technology and development, of which \$20.3 million, \$21.4 million, and \$17.4 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
General and administrative	\$ 84,116	-0.3%	\$ 84,383	-1.8%	\$ 85,908
Percentage of sales	7.0%		7.2%		7.7%

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 decreased 0.3% (7.0% as a percentage of revenues) during the fiscal year ended July 2, 2017 in comparison to the prior year (7.2% as a percentage of revenues), as result of lower labor costs due to decreases in performance based bonuses, as well as certain prior year expenses that were not incurred in the current year, including Harry and David integration costs and the Edible Arrangements litigation settlement. These decreases were partially offset by increased health insurance costs, headcount and expense related to the Company's Non-Qualified Deferred Compensation Plan ("NQDC") (The Company has established an NQDC for certain members of senior management. The plan assets are classified as trading securities - see [Note 10](#) in Item 15 for details - in fiscal 2017, the Company recorded labor expense of approximately \$1.0 million (compared to a benefit of \$0.1 million during fiscal 2016), within "General and administrative" expenses, associated with an increase in amounts owed to participants due to the appreciation of the fair value of participant directed investments. The corresponding offset to this expense is an equivalent amount of investment income, which is recorded in "Other (income) expense, net". Trading securities held in the NQDC are measured using quoted market prices at the reporting date and are included in the "Other assets," with the corresponding liability to participants included in the "Other liabilities" within the consolidated balance sheets.

General and administrative expense decreased 1.8% (7.2% as a percentage of revenues) during the fiscal year ended July 3, 2016 in comparison to the prior year (7.7% as a percentage of revenues), as result of synergistic savings, integration expenses incurred in the prior year, and a decrease in performance based bonuses and integration expenses, partially offset by the incremental general and administrative expenses of Harry & David, which was acquired on September 30, 2014.

Depreciation and Amortization

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Depreciation and amortization	\$ 33,376	3.1%	\$ 32,384	11.2%	\$ 29,124
Percentage of sales	2.8%		2.8%		2.6%

Depreciation and amortization expense increased by 3.1% during the fiscal year ended July 2, 2017 in comparison to the prior year, as a result of recent increases in capital expenditures, primarily in support of the Company's technology infrastructure, partially offset by the impact of the disposition of Fannie May.

Depreciation and amortization expense increased by 11.2% during the fiscal year ended July 3, 2016 in comparison to the prior year, as a result of the incremental depreciation and amortization expenses of Harry & David, acquired on September 30, 2014, including the impact of the additional intangibles amortization, as well as a result of the Company's technology improvements.

Interest Expense, net

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Interest expense, net	\$ 5,821	-12.8%	\$ 6,674	16.0%	\$ 5,753

Interest expense, net consists primarily of interest expense and amortization of deferred financing costs attributable to the Company's credit facility (See [Note 9](#) in Item 15 for details regarding the 2016 Credit Facility), net of income earned on the Company's available cash balances.

Interest expense, net decreased 12.8% during the year ended July 2, 2017 in comparison to the prior year, due to the reduction in the outstanding Term Debt due to principal payments during the year, partially offset by a \$0.3 million write-off of deferred financing costs as a result of amending the Company's credit facility in December 2016, and an overall increase in interest rates.

Interest expense, net increased 16.0% during the year ended July 3, 2016 in comparison to the prior year, as a result of the additional interest expense and deferred financing costs associated with the term debt used to finance the Harry & David acquisition, entered into on September 30, 2014 and the additional interest expense on the Company's revolver to fund the working capital requirements of Harry & David during the first quarter of the fiscal year.

Other (income) expense, net

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	<i>(dollars in thousands)</i>				
Other (income) expense, net	\$ (15,471)	4.3%	\$ (14,839)	1,057.4%	\$ 1,550

Other (income) expense, net for the year ended July 2, 2017 consists primarily of a \$14.6 million gain on the sale of Fannie May (see [Note 4](#) in Item 15 for details), a \$1.0 million investment gain related to the Company's Non-Qualified Deferred Compensation Plan (see "[General and Administrative](#)" expense above), partially offset by a \$0.1 million loss related to the Company's equity in the net loss of Flores Online (see [Note 2](#) in Item 15 for details).

Other (income) expense, net for the year ended July 3, 2016 consists primarily of a \$19.6 million gain on insurance recoveries related to the Fannie May warehouse fire (see [Note 17](#) in Item 15 for details), offset by a \$2.1 million loss on sale of iFlorist (see [Note 4](#) in Item 15 for details), a \$1.7 million impairment of the Company's investment in Flores Online (see [Note 2](#) in Item 15 for details), and a \$0.7 million impairment of cost method investments (see [Note 2](#) in Item 15 for details).

Income Taxes

During the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, the Company recorded income tax expense from continuing operations of \$12.0 million, \$15.6 million and \$10.9 million, respectively, resulting in an effective tax rate of 21.4%, 30.3% and 36.1%, respectively. The Company's effective tax rate differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes, valuation allowance changes, rate differences, tax settlements, various tax credits/deductions as well as deductible stock-based compensation, as well as the tax effect of the Fannie May disposition (see [Note 11](#) in Item 15 for details).

At July 2, 2017 the Company's total federal capital loss carryforwards were \$23.7 million, which if not utilized, will expire in fiscal 2022. The Company's state capital loss carryforwards was \$1.0 million, which if not utilized, will begin to expire in fiscal 2022. The Company's foreign net operating loss carryforward was \$2.4 million, while the state net operating losses were \$4.6 million, before federal benefit, which if not utilized, will begin to expire in fiscal 2018.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2017 and 2016. 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.

	<u>Jul. 2, 2017</u>	<u>Apr. 2, 2017</u>	<u>Jan. 1, 2017</u>	<u>Oct. 2, 2016</u>	<u>Jul. 3, 2016</u>	<u>Mar. 27, 2016</u>	<u>Dec. 27, 2015</u>	<u>Sep. 28, 2015</u>
	<i>(in thousands, except per share data)</i>							
Net revenues:								
E-commerce (telephonic/online)	\$ 191,355	\$ 177,729	\$ 420,594	\$ 107,084	\$ 186,411	\$ 179,413	\$ 412,261	\$ 104,697
Other	48,173	55,986	133,959	58,745	47,984	54,794	136,120	51,344
Total net revenues	239,528	233,715	554,553	165,829	234,395	234,207	548,381	156,041
Cost of revenues	141,209	140,134	297,559	94,442	133,750	137,486	295,798	88,532
Gross profit	98,319	93,581	256,994	71,387	100,645	96,721	252,583	67,509
Operating expenses:								
Marketing and sales	72,415	70,158	119,876	55,078	74,608	71,502	119,539	52,526
Technology and development	9,312	10,254	9,849	9,488	10,175	9,903	9,845	9,311
General and administrative	19,670	20,962	21,551	21,933	23,351	21,006	20,055	19,971
Depreciation and amortization	7,720	8,492	9,167	7,997	8,105	7,546	8,761	7,972
Total operating expenses	109,117	109,866	160,443	94,496	116,239	109,957	158,200	89,780
Operating income (loss)	(10,798)	(16,285)	96,551	(23,109)	(15,594)	(13,236)	94,383	(22,271)
Interest expense, net	1,025	1,191	2,154	1,451	1,382	1,239	2,162	1,891
Other (income) expense, net	(14,901)	(421)	1	(150)	312	145	242	(15,538)
Income (loss) before income taxes	3,078	(17,055)	94,396	(24,410)	(17,288)	(14,620)	91,979	(8,624)
Income tax expense (benefit)	(4,935)	(5,925)	31,467	(8,639)	(6,234)	(5,494)	30,495	(3,188)
Net income (loss)	8,013	(11,130)	62,929	(15,771)	(11,054)	(9,126)	61,484	(5,436)
Less: Net loss attributable to noncontrolling interest	-	-	-	-	-	-	(55)	(952)
Net income (loss) attributable to 1-800-FLOWERS.COM, Inc.	\$ 8,013	\$ (11,130)	\$ 62,929	\$ (15,771)	\$ (11,054)	\$ (9,126)	\$ 61,539	\$ (4,484)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
	\$ 0.12	\$ (0.17)	\$ 0.97	\$ (0.24)	\$ (0.17)	\$ (0.14)	\$ 0.95	\$ (0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.								
	\$ 0.12	\$ (0.17)	\$ 0.93	\$ (0.24)	\$ (0.17)	\$ (0.14)	\$ 0.92	\$ (0.07)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	65,255	65,199	65,172	65,081	65,376	64,687	64,669	64,825
Diluted	67,604	65,199	67,754	65,081	65,376	64,687	66,979	64,825

The Company's quarterly results may experience seasonal fluctuations – see the [Seasonality](#) section in Item 1 for details. Refer above to the [Results of Operations](#) section in Item 7 for a discussion of significant events and transactions.

Liquidity and Capital Resources

Cash Flows

At July 2, 2017, the Company had working capital of \$132.2 million, including cash and cash equivalents of \$149.7 million, compared to working capital of 45.8 million, including cash and cash equivalents of \$27.8 million at July 3, 2016.

Net cash provided by operating activities of \$61.0 million for the fiscal year ended July 2, 2017 was primarily related to net income, adjusted for non-cash charges for depreciation and amortization, stock-based compensation, deferred income taxes, bad debt expense and the gain on the sale of Fannie May, partially offset by working capital changes primarily related to timing of collection of trade receivables, accelerated inventory production to mitigate the impact of labor shortages experienced during the prior holiday season, partially offset by decreases in accounts payable and accrued expenses as a result of the timing of the inventory build.

Net cash provided by investing activities of \$78.3 million was attributable to the proceeds from the sale of Fannie May, partially offset by capital expenditures related to the Company's technology infrastructure and Gourmet Foods & Gift Baskets production equipment. Cash proceeds from the sale of Fannie May excludes an \$8.5 million of seasonal working capital adjustment, paid by the Company, to Ferrero, in the first quarter of fiscal 2018. Fiscal 2018 capital spending is expected to be consistent with fiscal 2017.

Net cash used in financing activities of \$17.4 million for the fiscal year ended July 2, 2017 was for term debt repayment on borrowings under the Company's Credit Facility of \$5.5 million, and the acquisition of \$10.7 million of treasury stock, and \$1.5 million of debt issuance costs related to the 2016 Amended Credit Agreement (see [Note 9](#), in Item 15 for details), partially offset by proceeds from exercises of employee stock options of \$0.3 million. As of July 2, 2017 there were no borrowings outstanding under the Company's Revolver.

Credit Facility

See [Note 9](#), in Item 15 for details regarding the 2016 Credit Facility.

The Company believes that cash on hand, combined with cash flows from operations and available borrowings from its 2016 Credit Facility, will be a sufficient source of liquidity during fiscal 2018. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, including the acquisition of Harry & David, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 50% of the Company's annual revenues, and all of its earnings. As a result, the Company expects to generate significant cash from operations during its second quarter, and then utilize that cash for operating needs during its fiscal third and fourth quarters, after which time the Company expects to borrow against its Revolver to fund pre-holiday manufacturing and inventory purchases. Borrowings under the Revolver, which will be significantly lower than prior year as a result of cash generated from the sale of Fannie May, typically peak in November, at which time cash generated from operations during the Christmas holiday shopping season are expected to enable the Company to repay working capital borrowings prior to the end of December.

Stock Repurchase Program

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to \$25 million. The Company repurchased a total of \$10.7 million (1,120,706 shares), \$15.2 million (1,714,550 shares) and \$8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, \$17.2 million remains authorized under the plan. On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to \$30.0 million.

Contractual Obligations

At July 2, 2017, the Company's contractual obligations from continuing operations consist of:

	Payments due by period				
	<i>(in thousands)</i>				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long-term debt obligations (including interest)	\$ 123,657	\$ 10,275	\$ 28,397	\$ 84,985	-
Operating lease obligations	88,471	13,772	20,387	14,903	39,409
Purchase commitments (*)	74,251	71,549	2,683	19	-
Unrecognized tax liabilities	400	-	200	200	-
Total	\$ 286,779	\$ 95,597	\$ 51,666	\$ 100,106	\$ 39,409

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

Net revenues are generated by e-commerce operations from the Company's online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, net of discounts, returns and credits. Net revenues are recognized primarily upon product delivery and do not include sales tax. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other product 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.

Accounts Receivable

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

Inventory

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

Business Combinations

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist. The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step ("Step 1") of the two-step quantitative test 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 ("Step 2") is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, 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 .

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it was not “more likely than not” that the fair values of the reporting units were less than their carrying amounts. During fiscal 2015, the Company performed the two-step quantitative impairment test and determined that the estimated fair value of the Company ’s reporting units significantly exceeded their respective carrying values (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 July 2, 2017, 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, 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.

Definite-lived intangibles 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. In applying the impairment test, the Company has the option to perform a qualitative test (also known as “Step 0”) or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If after assessing these qualitative factors, the Company determines it is “more-likely-than-not” that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative 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.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it is not “more likely than not” that the fair values of the indefinite-lived intangibles were less than their carrying amounts. During fiscal 2015, the Company performed the quantitative impairment test and determined that the estimated fair value of the Company’s intangibles exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

Income Taxes

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

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

Recent Accounting Pronouncements

In 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. As we continue to evaluate the impact of this ASU, we have determined that the new standard will impact the following areas: the costs of producing and distributing the Company’s catalogs will be expensed upon shipment, instead of being capitalized and amortized in direct proportion to the actual sales; gift card breakage will be estimated based on the historical pattern of gift card redemption, rather than when redemption is considered remote; the Company will defer revenue at the time the Celebrations Reward loyalty points are earned using a relative fair value approach, rather than accruing a liability equal to the incremental cost of fulfilling its obligations. We have further identified the timing of revenue recognition for e-commerce orders (shipping point versus destination) as a potential issue in our analysis, which is not expected to change the total amount of revenue recognized, but could accelerate the timing of when revenue is recognized. We plan to adopt this guidance beginning with the first quarter in the fiscal year ending June 30, 2019 on a retrospective basis with a cumulative adjustment to retained earnings. We are continuing to evaluate the impact that this ASU, and related amendments and interpretive guidance, will have on our consolidated financial statements, including the related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which amends ASC 835-30, “Interest – Imputation of Interest.” In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, and not recorded as a separate asset. The Company adopted this standard effective July 4, 2016 and applied it retrospectively to all periods presented. The impact of the adoption of the new guidance was to reclassify \$3.6 million of deferred financing costs previously included within “Other Assets” to “Long-term debt” in the consolidated balance sheets as of July 3, 2016.

In July 2015, the FASB issued ASU No. 2015-11, “Inventory (Topic 330).” The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. ASU 2015-11 is effective for the Company’s fiscal year ending July 1, 2018. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company’s consolidated financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. This guidance will become effective for the Company's fiscal year ending June 30, 2019. The adoption is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the Company's fiscal year ending June 28, 2020. We are currently evaluating the impact and expect the ASU will have a material impact on our consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 affects all entities that issue share-based payment awards to their employees. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company elected to early adopt the amendments in ASU 2016-09, in fiscal 2017. As a result, stock-based compensation excess tax benefits are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they were previously recognized in equity. This change resulted in the recognition of excess tax benefits against income tax expenses, rather than additional paid-in capital, of \$1.0 million for the year ended July 2, 2017. There was no impact on earnings per share since approximately 700,000 tax benefit shares for the year ended July 2, 2017, previously associated with the APIC pool calculation, are no longer considered in the diluted share computation. Additionally, our Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity. This change has been applied prospectively in accordance with the ASU and prior periods have not been adjusted. Further, the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The cumulative effect of this change, which was recorded as compensation expense in fiscal 2017, was not material to the financial statements. In addition, this ASU allows entities to withhold an amount up to an employee's maximum individual statutory tax rate in the relevant jurisdiction, up from the minimum statutory requirement, without resulting in liability classification of the award. We adopted this change on a modified retrospective basis, with no impact to our consolidated financial statements. Finally, this ASU clarified that the cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. This change does not have an impact on the Company's consolidated financials as it conforms with its current practice.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces a new forward-looking "expected loss" approach, to estimate credit losses on most financial assets and certain other instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for the Company's fiscal year ending July 4, 2021, and the guidance is to be applied using the modified-retrospective approach. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01)," which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company's fiscal year ending July 4, 2021, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets." This update clarifies the scope of accounting for the derecognition or partial sale of nonfinancial assets to exclude all businesses and nonprofit activities. ASU 2017-05 also provides a definition for in-substance nonfinancial assets and additional guidance on partial sales of nonfinancial assets. This guidance will be effective for the Company's fiscal year ending June 30, 2019 and may be applied retrospectively. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively to an award modified on or after the adoption date. The Company is 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 is exposed to market risk from the effect of interest rate changes and changes in the market values of its investments.

Interest Rate Risk

The Company 's exposure to market risk for changes in interest rates relates primarily to the Company's investment of available cash balances and its long-term debt. The Company generally invests its cash and cash equivalents in investment grade corporate and U.S. government securities. Due to the currently low rates of return the Company is receiving on its cash equivalents, the potential for a significant decrease in short-term interest rates is low and, therefore, a further decrease would not have a material impact on the Company's interest income. Borrowings under the Company's credit facility bear interest at a variable rate, plus an applicable margin, and therefore expose the Company to market risk for changes in interest rates. The effect of a 50 basis point increase in current interest rates on the Company's interest expense would be approximately \$0.8 million during year ended July 2, 2017.

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

N/A

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 July 2, 2017. 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 July 2, 2017.

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

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

Management, including the Company 's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria) . Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of July 2, 2017..

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 July 2, 2017. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of July 2, 2017 is set forth below.

Report of Independent Registered Public Accounting Firm

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

We have audited 1-800-Flowers.com, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of July 2, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, 1-800-Flowers.com, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of July 2, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 1-800-Flowers.com, Inc. and Subsidiaries as of July 2, 2017 and July 3, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 2, 2017, and our report dated September 15, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Melville, New York
September 15, 2017

Item 9B . OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III with respect to directors, executive officers, audit committee and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders and 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 investor relations website (investor.1800flowers.com), which is also accessible through a link at the bottom of the main Company page 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 required by Item 11 of Part III will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders and is incorporated herein by reference.

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

The information required by Item 12 of Part III will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders and is incorporated herein by reference.

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

The information required by Item 13 of Part III will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders and is incorporated herein by reference.

Item 14 . PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 of Part III will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders and is incorporated herein by reference.

PART IV

Item 15 . EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of July 2, 2017 and July 3, 2016	F-3
Consolidated Statements of Income for the years ended July 2, 2017, July 3, 2016 and June 28, 2015	F-4
Consolidated Statements of Comprehensive Income for the years ended July 2, 2017, July 3, 2016 and June 28, 2015	F-5
Consolidated Statements of Stockholders' Equity for the years ended July 2, 2017, July 3, 2016 and June 28, 2015	F-6
Consolidated Statements of Cash Flows for the years ended July 2, 2017, July 3, 2016 and June 28, 2015	F-7
Notes to Consolidated Financial Statements	F-8

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

Schedule II- Valuation and Qualifying Accounts	S-1
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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 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 10.10 and 10.11 are management contracts or compensatory plans or arrangements.

Exhibit Description

*3.1	Third Amended and Restated Certificate of Incorporation. (Quarterly Report on Form 10-Q filed on February 10, 2017, 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	Amendment No. 2 to Third Amended and Restated Certificate of Incorporation (C urrent Report on Form 8-K filed on December 15, 2016, Exhibit 3.1)
*3.4	Amended and Restated By-laws. (Registration Statement on Form S-1 (No 333-78985) filed on May 21, 1999, Exhibit 3.3)
*3.5	Amendment No. 1 to Amended and Restated By-laws (Current Report on Form 8-K filed on December 15, 2016, Exhibit 3.2)
*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 , 3.3, 3.4 and 3.5 for provisions of the Certificate of Incorporation and By-laws of the Registrant defining the rights of holders of Common Stock of the Registrant.
*10.1	Employment Agreement made October 4, 2016, effective as of July 4, 2016, between 1-800-Flowers.com, Inc. and James F. McCann (Current report on form 8-K filed on October 6, 2016, Exhibit 10.1)
*10.2	Employment Agreement made October 4, 2016, effective as of July 4, 2016, between 1-800-Flowers.com, Inc. and Christopher G. McCann (Current report on form 8-K filed on October 6, 2016, Exhibit 10.2)
*10.3	Section 16 Executive Officer 's Bonus Plan (as amended and restated as of September 14, 2016) (Quarterly Report on Form 10-Q filed on February 10, 2017, Exhibit 10.2)
*10.4	Nonqualified Supplemental Deferred Compensation Plan dated December 21, 2010 (Quarterly Report on Form 10-Q filed on November 14, 2016, Exhibit 10.24)
*10.5	2003 Long Term Incentive and Share Award Plan (as amended and restated as of October 22, 2009, as amended as of October 28, 2011 and September 14, 2016) (Quarterly Report on Form 10-Q filed on February 10, 2017, Exhibit 10.1)
*10.6	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)
*10.7	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)
*10.8	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)
*10.9	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)
*10.10	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)
*10.11	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)
*10.12	Credit Agreement dated as of September 30, 2014 among 1-800-Flowers.com, Inc., the Subsidiary Borrowers party thereto, and JP Morgan Chase Bank, N.A., as administrative agent (Quarterly Report on Form 10-Q filed on November 7, 2014, Exhibit 10.24)
*10.13	Amended and Restated Credit Agreement dated as of December 23, 2016 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 (Quarterly Report on Form 10-Q filed on February 10, 2017, Exhibit 10.3)
*10.14	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)
*10.15	Stock Purchase Agreement dated as of March 15, 2017, by and among 1-800-Flowers.com, Inc. and Ferrero International S.A. (Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2017, Exhibit 2.1)
10.16	First Amendment to the Stock Purchase Agreement dated May 29, 2017 by and between 1-800-Flowers.com, Inc. and Ferrero International S.A
21.1	Subsidiaries of the Registrant.
23.1	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 15, 2017

1-800-FLOWERS.COM, Inc.

By : /s/ Christopher G. McCann
Christopher G. McCann
Chief Executive Officer
Director, President
(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 15, 2017	By : <u>/s/ Christopher G. McCann</u> Christopher G. McCann Chief Executive Officer Director, President (Principal Executive Officer)
Dated: September 15, 2017	By : <u>/s/ William E. Shea</u> William E. Shea Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)
Dated: September 15, 2017	By : <u>/s/ James F. McCann</u> James F. McCann Executive Chairman
Dated: September 15, 2017	By : <u>/s/ Geralyn R. Breig</u> Geralyn R. Breig Director
Dated: September 15, 2017	By : <u>/s/ Celia R. Brown</u> Celia R. Brown Director
Dated: September 15, 2017	By : <u>/s/ James A. Cannavino</u> James A. Cannavino Director
Dated: September 15, 2017	By : <u>/s/ Eugene F. DeMark</u> Eugene F. DeMark Director
Dated: September 15, 2017	By : <u>/s/ Leonard J. Elmore</u> Leonard J. Elmore Director
Dated: September 15, 2017	By : <u>/s/ Sean Hegarty</u> Sean Hegarty Director
Dated: September 15, 2017	By : <u>/s/ Katherine Oliver</u> Katherine Oliver Director
Dated: September 15, 2017	By : <u>/s/ Larry Zarin</u> Larry Zarin Director

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-FLOWERS.COM, Inc.
Carle Place, NY

We have audited the accompanying consolidated balance sheets of 1-8 00-FLOWERS.COM, Inc. and Subsidiaries as of July 2, 2017 and July 3, 2016 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 2, 2017. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at July 2, 2017 and July 3, 2016, and the results of their operations and their cash flows for each of the three years in the period ended July 2, 2017, 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, present 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 July 2, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 15, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Melville, New York
September 15, 2017

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share data)

	July 2, 2017	July 3, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,732	\$ 27,826
Trade receivables, net	14,073	19,123
Inventories	75,862	103,328
Prepaid and other	17,735	16,382
Total current assets	<u>257,402</u>	<u>166,659</u>
Property, plant and equipment, net	161,381	171,362
Goodwill	62,590	77,667
Other intangibles, net	61,090	79,000
Other assets	10,007	8,253
Total assets	<u>\$ 552,470</u>	<u>\$ 502,941</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 27,781	\$ 35,201
Accrued expenses	90,206	66,066
Current maturities of long-term debt	7,188	19,594
Total current liabilities	<u>125,175</u>	<u>120,861</u>
Long-term debt	101,377	94,396
Deferred tax liabilities	33,868	35,517
Other liabilities	9,811	9,581
Total liabilities	<u>270,231</u>	<u>260,355</u>
Commitments and contingencies (Note 16)		
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, 51,227,779 and 48,846,449 shares issued in 2017 and 2016, respectively	513	488
Class B common stock, \$.01 par value, 200,000,000 shares authorized, 33,901,603 and 35,263,004 shares issued in 2017 and 2016, respectively	339	353
Additional paid-in capital	337,726	331,349
Retained earnings (deficit)	32,638	(11,403)
Accumulated other comprehensive loss	(187)	(146)
Treasury stock, at cost, 14,709,731 and 13,589,025 Class A shares in 2017 and 2016, respectively, and 5,280,000 Class B shares in 2017 and 2016	(88,790)	(78,055)
Total equity	<u>282,239</u>	<u>242,586</u>
Total liabilities and equity	<u>\$ 552,470</u>	<u>\$ 502,941</u>

[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		
	July 2, 2017	July 3, 2016	June 28, 2015
Net revenues	\$ 1,193,625	\$ 1,173,024	\$ 1,121,506
Cost of revenues	673,344	655,566	634,311
Gross profit	520,281	517,458	487,195
Operating expenses:			
Marketing and sales	317,527	318,175	299,801
Technology and development	38,903	39,234	34,745
General and administrative	84,116	84,383	85,908
Depreciation and amortization	33,376	32,384	29,124
Total operating expenses	473,922	474,176	449,578
Operating income	46,359	43,282	37,617
Interest expense, net	5,821	6,674	5,753
Other (income) expense, net	(15,471)	(14,839)	1,550
Income before income taxes	56,009	51,447	30,314
Income tax expense	11,968	15,579	10,930
Net Income	\$ 44,041	\$ 35,868	\$ 19,384
Less: Net loss attributable to noncontrolling interest	-	(1,007)	(903)
Net income attributable to 1-800-FLOWERS.COM, Inc.	\$ 44,041	\$ 36,875	\$ 20,287
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.	\$ 0.68	\$ 0.57	\$ 0.31
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.	\$ 0.65	\$ 0.55	\$ 0.30
Weighted average shares used in the calculation of net income per common share:			
Basic	65,191	64,896	64,976
Diluted	67,735	67,083	67,602

[See accompanying Notes to Consolidated Financial Statements .](#)

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

	<u>July 2, 2017</u>	<u>July 3, 2016</u>	<u>June 28, 2015</u>
Net income	\$ 44,041	\$ 35,868	\$ 19,384
Other comprehensive income/(loss) (currency translation)	(41)	252	(505)
Comprehensive income	44,000	36,120	18,879
Less:			
Net loss attributable to noncontrolling interest	-	(1,007)	(903)
Other comprehensive income (loss) (currency translation) attributable to noncontrolling interest	-	87	(180)
Comprehensive net loss attributable to noncontrolling interest	-	(920)	(1,083)
Comprehensive income attributable to 1-800-FLOWERS.COM, Inc.	<u>\$ 44,000</u>	<u>\$ 37,040</u>	<u>\$ 19,962</u>

[See accompanying Notes to Consolidated Financial Statements .](#)

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years ended July 2, 2017, July 3, 2016 and June 28, 2015
(in thousands, except share data)

	Accumulated									Total		
	Common Stock				Additional	Retained	Other	Treasury Stock		Total 1-800- FLOWERS. COM, Inc. Stockholders ' Equity	Noncontrolling Interest	Total Equity
	Class A		Class B		Paid-in	Earnings	Comprehensive	Shares	Amount			
Shares	Amount	Shares	Amount	Capital	(Deficit)	Loss	Shares	Amount	Equity	Interest	Equity	
Balance at June 29, 2014	38,119,398	\$ 381	42,058,594	\$ 420	\$ 305,510	\$ (68,565)	\$ (46)	16,098,437	\$ (54,472)	\$ 183,228	\$ 2,890	\$ 186,118
Net income	-	-	-	-	-	20,287	-	-	-	20,287	(903)	19,384
Translation adjustment	-	-	-	-	-	-	(325)	-	-	(325)	(180)	(505)
Conversion of Class B stock into Class A stock	2,748,550	27	(2,748,550)	(27)	-	-	-	-	-	-	-	-
Stock-based compensation	1,154,173	12	-	-	5,950	-	-	-	-	5,962	-	5,962
Exercise of stock options	853,170	9	-	-	5,533	-	-	-	-	5,542	-	5,542
Excess tax benefit from stock-based compensation	-	-	-	-	2,115	-	-	-	-	2,115	-	2,115
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	1,056,038	(8,360)	(8,360)	-	(8,360)
Balance at June 28, 2015	42,875,291	429	39,310,044	393	\$ 319,108	(48,278)	(371)	17,154,475	(62,832)	208,449	1,807	210,256
Net income	-	-	-	-	-	36,875	-	-	-	36,875	(1,007)	35,868
Translation adjustment	-	-	-	-	-	-	165	-	-	165	87	252
Noncontrolling interest write- off	-	-	-	-	-	-	60	-	-	60	(887)	(827)
Conversion of Class B stock into Class A stock	4,047,040	40	(4,047,040)	(40)	-	-	-	-	-	-	-	-
Stock-based compensation	879,863	9	-	-	6,334	-	-	-	-	6,343	-	6,343
Exercise of stock options	1,044,255	10	-	-	3,507	-	-	-	-	3,517	-	3,517
Excess tax benefit from stock-based compensation	-	-	-	-	2,400	-	-	-	-	2,400	-	2,400
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	1,714,550	(15,223)	(15,223)	-	(15,223)
Balance at July 3, 2016	48,846,449	488	35,263,004	353	331,349	(11,403)	(146)	18,869,025	(78,055)	242,586	-	242,586
Net income	-	-	-	-	-	44,041	-	-	-	44,041	-	44,041
Translation adjustment	-	-	-	-	-	-	(41)	-	-	(41)	-	(41)
Conversion of Class B stock into Class A stock	1,361,401	14	(1,361,401)	(14)	-	-	-	-	-	-	-	-
Stock-based compensation	965,429	10	-	-	6,092	-	-	-	-	6,102	-	6,102

Exercise of stock options	54,500	1	-	-	285	-	-	-	-	286	-	286
Acquisition of Class A treasury stock	-	-	-	-	-	-	-	1,120,706	(10,735)	(10,735)	-	(10,735)
Balance at July 2, 2017	<u>51,227,779</u>	<u>\$ 513</u>	<u>33,901,603</u>	<u>\$ 339</u>	<u>\$ 337,726</u>	<u>\$ 32,638</u>	<u>\$ (187)</u>	<u>19,989,731</u>	<u>\$ (88,790)</u>	<u>\$ 282,239</u>	<u>-</u>	<u>\$ 282,239</u>

[See accompanying Notes to Consolidated Financial Statements .](#)

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	July 2, 2017	Years ended July 3, 2016	June 28, 2015
Operating activities:			
Net income	\$ 44,041	\$ 35,868	\$ 19,384
Reconciliation of net income to net cash provided by operating activities, net of acquisitions/dispositions:			
Gain on sale of Fannie May	(14,607)	-	-
Depreciation and amortization	33,376	32,384	29,124
Amortization of deferred financing costs	1,532	1,791	1,501
Deferred income taxes	(1,649)	(3,000)	2,471
Foreign equity investment impairment	-	2,278	-
Loss on sale/impairment of iFlorist	-	1,990	-
Non-cash impact of write-offs related to warehouse fire	-	-	29,522
Bad debt expense	1,158	1,278	1,295
Stock-based compensation	6,102	6,343	5,962
Excess tax benefit from stock-based compensation	-	(2,400)	(2,550)
Other non-cash items	133	517	1,439
Changes in operating items:			
Trade receivables	(6,220)	(4,210)	8,331
Insurance receivable	-	2,979	(2,979)
Inventories	(9,277)	(10,216)	26,390
Prepaid and other	(2,609)	(1,560)	8,047
Accounts payable and accrued expenses	9,132	(6,429)	(2,235)
Other assets	(36)	(29)	(1,058)
Other liabilities	(66)	89	1,089
Net cash provided by operating activities	61,010	57,673	125,733
Investing activities:			
Acquisitions, net of cash acquired	-	-	(131,994)
Proceeds from sale of business	111,955	-	-
Capital expenditures, net of non-cash expenditures	(33,653)	(33,938)	(32,572)
Other	-	-	963
Net cash provided by (used in) investing activities	78,302	(33,938)	(163,603)
Financing activities:			
Acquisition of treasury stock	(10,735)	(15,223)	(8,360)
Excess tax benefit from stock based compensation	-	2,400	2,550
Proceeds from exercise of employee stock options	286	3,517	5,542
Proceeds from bank borrowings	181,000	178,000	239,500
Repayment of notes payable and bank borrowings	(186,451)	(192,543)	(172,983)
Debt issuance costs	(1,506)	-	(5,642)
Net cash (used in) provided by financing activities	(17,406)	(23,849)	60,607
Net change in cash and cash equivalents	121,906	(114)	22,737
Cash and cash equivalents:			
Beginning of year	27,826	27,940	5,203
End of year	\$ 149,732	\$ 27,826	\$ 27,940

Supplemental Cash Flow Information:

- Interest paid amounted to \$4.4 million, \$5.0 million and \$4.3 million, for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.
- The Company paid income taxes of approximately \$6.8 million, \$13.4 million and \$5.1 million, net of tax refunds received, for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, 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

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the “Company”) is a leading provider of gourmet food and floral gifts for all occasions. For the past 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift.

The Company’s BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. “Gift Shop” also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200 or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl’s® (1-800-443-8124 or www.cheryls.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman’s® (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

Note 2 . Significant Accounting Policies*Basis of Presentation*

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation. During fiscal 2017, 2016 and 2015 approximately 1%, 1% and 2% respectively, of consolidated net revenue came from international sources.

Fiscal Year

The Company’s fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2017 and 2015, which ended on July 2, 2017 and June 28, 2015, respectively consisted of 52 weeks. Fiscal year 2016, which ended on July 3, 2016, consisted of 53 weeks .

Use of Estimates

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

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the assets’ estimated useful lives. Amortization of leasehold improvements and capital leases is computed using the straight-line method over the shorter of the estimated useful lives and the initial lease terms. The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. Orchards in production, consisting of direct labor and materials, supervision and other items, are capitalized as part of capital projects in progress – orchards until the orchards produce fruit in commercial quantities. Upon attaining commercial levels of production the capital investments in these orchards are recorded as land improvements. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. The Company’s property plant and equipment is depreciated using the following estimated lives:

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

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

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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.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step ("Step 1") of the two-step quantitative test 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 ("Step 2") is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, 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.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it was not "more likely than not" that the fair values of the reporting units were less than their carrying amounts. During fiscal 2015, the Company performed the two-step quantitative impairment test and determined that the estimated fair value of the Company's reporting units significantly exceeded their respective carrying values (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.

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.

Definite-lived intangibles 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. In applying the impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative 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.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it is not "more likely than not" that the fair values of the indefinite-lived intangibles were less than their carrying amounts. During fiscal 2015, the Company performed the quantitative impairment test and determined that the estimated fair value of the Company's intangibles exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

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 catalogs over a period not to exceed 12 months. Included within prepaid and other current assets was \$2.7 million and \$3.0million at July 2, 2017 and July 3, 2016 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 consist of a 30.0% 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 \$1.0 million as of July 2, 2017 and \$1.1 million as of July 3, 2016, and is included in the "Other assets" line item within the Company's consolidated balance sheets. The Company's equity in the net loss of Flores Online for both the years ended July 2, 2017 and July 3, 2016 was \$0.1 million. During the quarter ended September 27, 2015, the Company determined that the fair value of its investment in Flores Online was below its carrying value and that this decline was other-than-temporary. As a result, the Company recorded an impairment charge of \$1.7 million, which is included within the "Other (income) expense, net" line item in the Company's consolidated statement of income in fiscal 2016.

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 the "Other assets" line item within the Company's consolidated balance sheets. The aggregate carrying amount of the Company's cost method investments was \$1.7 million as of July 2, 2017 (including a \$1.5 million investment in Euroflorist – see [Note 4](#), for details) and \$1.7 million as of July 3, 2016. During the year ended July 3, 2016, the Company determined that the fair value of one of its cost method investments was below its carrying value and that the decline was other-than-temporary. As a result the Company recorded an impairment charge of \$0.5 million, which is included within the "Other (income) expense, net" line items in the Company's consolidated statements of income in fiscal 2016.

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 condensed consolidated balance sheets (see [Note 10](#), for details).

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 (\$1.8 million at July 2, 2017 and \$2.1 million at July 3, 2016) have been recorded based upon previous experience and management's evaluation.

Revenue Recognition

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

Cost of Revenues

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

Marketing and Sales

Marketing and sales expense consists primarily of advertising expenses, 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 \$137.5 million, \$133.1 million and \$130.6 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.

Technology and Development

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

Stock -Based Compensation

The Company records compensation expense associated with restricted stock awards and other forms of equity compensation based upon the fair value of stock-based awards as measured at the grant date. The cost associated with share-based awards that are subject solely to time-based vesting requirements is recognized over the awards' service period for the entire award on a straight-line basis. The cost associated with performance-based equity awards is recognized for each tranche over the service period, based on an assessment of the likelihood that the applicable performance goals will be achieved.

Derivatives and hedging

The Company does not enter into derivative transactions for trading purposes, but rather, on occasion to manage its exposure to interest rate fluctuations. When entering into these transactions, the Company has managed its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. The Company did not have any open derivative positions at July 2, 2017 and July 3, 2016.

Income Taxes

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

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

Net Income Per Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income 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.

Recent Accounting Pronouncements

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. As we continue to evaluate the impact of this ASU, we have determined that the new standard will impact the following areas: the costs of producing and distributing the Company's catalogs will be expensed upon shipment, instead of being capitalized and amortized in direct proportion to the actual sales; gift card breakage will be estimated based on the historical pattern of gift card redemption, rather than when redemption is considered remote; the Company will defer revenue at the time the Celebrations Reward loyalty points are earned using a relative fair value approach, rather than accruing a liability equal to the incremental cost of fulfilling its obligations. We have further identified the timing of revenue recognition for e-commerce orders (shipping point versus destination) as a potential issue in our analysis, which is not expected to change the total amount of revenue recognized, but could accelerate the timing of when revenue is recognized. We plan to adopt this guidance beginning with the first quarter in the fiscal year ending June 30, 2019 on a retrospective basis with a cumulative adjustment to retained earnings. We are continuing to evaluate the impact that this ASU, and related amendments and interpretive guidance, will have on our consolidated financial statements, including the related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, and not recorded as a separate asset. The Company adopted this standard effective July 4, 2016 and applied it retrospectively to all periods presented. The impact of the adoption of the new guidance was to reclassify \$3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 3, 2016.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330)." The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. ASU 2015-11 is effective for the Company's fiscal year ending July 1, 2018. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. This guidance will become effective for the Company's fiscal year ending June 30, 2019. The adoption is not expected to have a significant impact on the Company's consolidated financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the Company’s fiscal year ending June 28, 2020. We are currently evaluating the impact and expect the ASU will have a material impact on our consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting.” ASU No. 2016-09 affects all entities that issue share-based payment awards to their employees. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company elected to early adopt the amendments in ASU 2016-09, in fiscal 2017. As a result, stock-based compensation excess tax benefits are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they were previously recognized in equity. This change resulted in the recognition of excess tax benefits against income tax expenses, rather than additional paid-in capital, of \$1.0 million for the year ended July 2, 2017. There was no impact on earnings per share since approximately 700,000 tax benefit shares for the year ended July 2, 2017, previously associated with the APIC pool calculation, are no longer considered in the diluted share computation. Additionally, our Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity. This change has been applied prospectively in accordance with the ASU and prior periods have not been adjusted. Further, the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The cumulative effect of this change, which was recorded as compensation expense in fiscal 2017, was not material to the financial statements. In addition, this ASU allows entities to withhold an amount up to an employees’ maximum individual statutory tax rate in the relevant jurisdiction, up from the minimum statutory requirement, without resulting in liability classification of the award. We adopted this change on a modified retrospective basis, with no impact to our consolidated financial statements. Finally, this ASU clarified that the cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. This change does not have an impact on the Company’s consolidated financials as it conforms with its current practice.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 introduces a new forward-looking “expected loss” approach, to estimate credit losses on most financial assets and certain other instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity’s assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for the Company’s fiscal year ending July 4, 2021, and the guidance is to be applied using the modified-retrospective approach. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01)," which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company’s fiscal year ending July 4, 2021, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, “Other Income —Gains and Losses from the Derecognition of Nonfinancial Assets.” This update clarifies the scope of accounting for the derecognition or partial sale of nonfinancial assets to exclude all businesses and nonprofit activities. ASU 2017-05 also provides a definition for in-substance nonfinancial assets and additional guidance on partial sales of nonfinancial assets. This guidance will be effective for the Company’s fiscal year ending June 30, 2019 and may be applied retrospectively. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2017, the FASB issued ASU No 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting.” This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively to an award modified on or after the adoption date. The Company is 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. See [“Recent Accounting Pronouncements”](#) above regarding the impact of our adoption of ASU No. 2015-13.

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:

	<u>July 2, 2017</u>	<u>Years Ended July 3, 2016</u>	<u>June 28, 2015</u>
<i>(in thousands, except per share data)</i>			
Numerator:			
Net income	\$ 44,041	\$ 35,868	\$ 19,384
Less: Net loss attributable to noncontrolling interest	-	(1,007)	(903)
Net income attributable to 1-800-FLOWERS.COM, Inc.	<u>\$ 44,041</u>	<u>\$ 36,875</u>	<u>\$ 20,287</u>
Denominator:			
Weighted average shares outstanding	65,191	64,896	64,976
Effect of dilutive securities:			
Employee stock options (1)	1,519	1,294	1,561
Employee restricted stock awards	1,025	893	1,065
Total effect of dilutive securities	<u>2,544</u>	<u>2,187</u>	<u>2,626</u>
Adjusted weighted-average shares and assumed conversions	<u>67,735</u>	<u>67,083</u>	<u>67,602</u>
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	<u>\$ 0.68</u>	<u>\$ 0.57</u>	<u>\$ 0.31</u>
Diluted	<u>\$ 0.65</u>	<u>\$ 0.55</u>	<u>\$ 0.30</u>

Note (1): The effect of options to purchase 0.0 million, 0.1 million and 0.1 million shares for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, 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
Disposition of Fannie May Confections Brands, Inc.

On March 15, 2017, the Company and Ferrero International S.A., a Luxembourg corporation (“Ferrero”), entered into a Stock Purchase Agreement (the “Purchase Agreement”) pursuant to which Ferrero agreed to purchase from the Company all of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. (“Fannie May”) for total consideration of \$115.0 million in cash, subject to seasonal working capital adjustment. At that time, the Company determined that the Fannie May business met the held for sale criteria, as prescribed by FASB ASC 360-10-45-9, but did not meet the criteria to qualify as a discontinued operation.

On May 30, 2017, the Company completed the disposition of Fannie May, and in August 2017, the working capital adjustment was finalized, resulting in an \$11.4 million reduction to the purchase price. The resulting gain on sale, in the amount of \$14.6 million, is included within “Other (income) expense, net” in the Company’s consolidated statements of income for the fiscal year 2017. In connection with the working capital adjustment of \$11.4 million, the Company has an \$8.5 million payable to Ferrero, included in the “Accrued expenses” line item in the Company’s consolidated balance sheet as of July 2, 2017.

Per FASB ASC 350-20-40, when a portion of reporting unit that constitutes a business is to be disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. The amount of goodwill to be included in that carrying amount shall be based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. Fannie May represented a business, as defined by FASB, and was included in the Company’s Gourmet Food & Gift Baskets reporting unit. As a result, we allocated \$15.1 million of goodwill to the Fannie May business based on the relative fair value of Fannie May to the Gourmet Food & Gift Baskets reporting unit. The Company estimated the fair value of the Gourmet Food & Gift Baskets reporting unit in a manner consistent with its significant accounting policy for goodwill, described in Note 1 above.

The Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May for a period of approximately 18 months, related to the business of Fannie May, and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

Operating results of Fannie May are reflected in the Company’s consolidated financial statements through May 30, 2017, the date of its disposition, within its Gourmet Food & Gift Baskets segment. During fiscal 2017, Fannie May contributed net revenues of \$85.6 million. Operating and pre-tax income during such period were not material.

Acquisition of Harry & David

On September 30, 2014, the Company completed its acquisition of Harry & David, a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David brands. The transaction, for a purchase price of \$142.5 million, includes the Harry & David's brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 48 Harry & David retail stores located throughout the country.

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

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

	Harry & David Final Purchase Price Allocation
	<i>(in thousands)</i>
Current assets	\$ 126,268
Intangible assets	41,827
Goodwill	16,042
Property, plant and equipment	105,079
Other assets	(131)
Total assets acquired	<u>289,085</u>
Current liabilities, including short-term debt	104,513
Deferred tax liabilities	42,048
Other liabilities assumed	24
Total liabilities assumed	<u>146,585</u>
Net assets acquired	<u>\$ 142,500</u>

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

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

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

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

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

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

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

The estimated fair value of the acquired trademarks was determined using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief

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

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

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

Disposition of Colonial Gifts Limited ("iFlorist")

During October 2015, the Company completed the sale of substantially all of the assets of iFlorist to Euroflorist AB ("Euroflorist"), a pan-European floral and gifting company headquartered in Malmo, Sweden. As consideration for the assets sold, the Company received an investment in Euroflorist with a fair value on the date of sale of approximately \$1.5 million. (The Company will account for this investment using the cost method as it does not possess the ability to exercise significant influence over Euroflorist.). The Company recorded a loss on the sale in the amount of \$2.1 million which is included within "Other (income) expense, net" in the condensed consolidated statements of operations.

Note 5 . Inventory

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

	<u>July 2, 2017</u>	<u>July 3, 2016</u>
	<i>(in thousands)</i>	
Finished goods	\$ 34,476	\$ 44,264
Work-in-process	11,933	24,573
Raw materials	29,453	34,491
Total inventory	<u>\$ 75,862</u>	<u>\$ 103,328</u>

Note 6 . Goodwill and Intangible Assets

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

	<u>Consumer Floral</u>	<u>BloomNet Wire Service</u>	<u>Gourmet Food & Gift Baskets</u>	<u>Total</u>
Balance at June 28, 2015	\$ 17,582	\$ -	\$ 59,515	\$ 77,097
Other	(141)	-	711	570
Balance at July 3, 2016	\$ 17,441	\$ -	\$ 60,226	\$ 77,667
Sale of Fannie May	-	-	(15,077)	(15,077)
Balance at July 2, 2017	<u>\$ 17,441</u>	<u>\$ -</u>	<u>\$ 45,149</u>	<u>\$ 62,590</u>

There were no goodwill impairment charges in any segment during the years ended July 2, 2017, July 3, 2016 and June 28, 2015.

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

	Amortization Period (years)	<u>July 2, 2017</u>			<u>July 3, 2016</u>		
		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
<i>(in thousands)</i>							
Intangible assets with determinable lives							
Investment in licenses	14 - 16 years	\$ 7,420	\$ 5,937	\$ 1,483	\$ 7,420	\$ 5,832	\$ 1,588
Customer lists	3 - 10 years	12,184	8,227	3,957	21,144	15,960	5,184
Other	5 - 14 years	2,946	2,045	901	3,665	2,698	967
Total intangible assets with determinable lives		22,550	16,209	6,341	32,229	24,490	7,739
Trademarks with indefinite lives		54,749	-	54,749	71,261	-	71,261
Total identifiable intangible assets		<u>\$ 77,299</u>	<u>\$ 16,209</u>	<u>\$ 61,090</u>	<u>\$ 103,490</u>	<u>\$ 24,490</u>	<u>\$ 79,000</u>

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Intangible assets with determinable lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. No material impairments were recognized for the years ended July 2, 2017, July 3, 2016 and June 28, 2015.

The amortization of intangible assets for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 was \$1.4 million, \$1.9 million and \$2.1 million, respectively. Future estimated amortization expense is as follows: 2018 – \$1.3 million, 2019 - \$0.7 million, 2020 - \$0.6 million, 2021 - \$0.6 million, 2022 - \$0.5 million, and thereafter - \$2.6 million.

Note 7 . Property, Plant and Equipment

	<u>July 2, 2017</u>	<u>July 3, 2016</u>
	<i>(in thousands)</i>	
Land	\$ 30,789	\$ 30,789
Orchards in production and land improvements	9,703	9,483
Building and building improvements	56,791	54,950
Leasehold improvements	11,950	21,584
Production equipment and furniture and fixtures	47,293	72,912
Computer and telecommunication equipment	45,026	52,737
Software	119,177	136,333
Capital projects in progress - orchards	9,971	8,513
Property, plant and equipment, gross	330,700	387,301
Accumulated depreciation and amortization	(169,319)	(215,939)
Property, plant and equipment, net	<u>\$ 161,381</u>	<u>\$ 171,362</u>

Depreciation expense for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 was \$32.0 million, \$30.5 million and \$27.0 million, respectively.

Note 8 . Accrued Expenses

Accrued expenses consisted of the following:

	<u>July 2, 2017</u>	<u>July 3, 2016</u>
	<i>(in thousands)</i>	
Payroll and employee benefits	\$ 22,767	\$ 25,892
Deferred revenue	13,865	10,366
Accrued marketing expenses	11,974	8,071
Gift card liability	8,835	8,309
Fannie May working capital adjustment	8,500	-
Accrued florist payout	6,576	6,746
Other	17,689	6,682
Accrued Expenses	<u>\$ 90,206</u>	<u>\$ 66,066</u>

Note 9 . Long-Term Debt

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

	<u>July 2, 2017</u>	<u>July 3, 2016</u>
	<i>(in thousands)</i>	
Revolver (1)	\$ -	\$ -
Term Loan (1)	112,125	117,563
Deferred Financing Costs	(3,560)	(3,573)
Total debt	108,565	113,990
Less: current maturities of long-term debt	7,188	19,594
Long-term debt	<u>\$ 101,377</u>	<u>\$ 94,396</u>

(1) On December 23, 2016, the Company entered into an Amended and Restated Credit Agreement (the "2016 Amended Credit Agreement") with JPMorgan Chase Bank as administrative agent, and a group of lenders. The 2016 Amended Credit Agreement amended and restated the Company 's credit agreement dated as of September 30, 2014 to, among other things, extend the maturity date of the \$115.0 million outstanding term loan ("Term Loan") and the revolving credit facility (the "Revolver") by approximately two years to December 23, 2021. The Term Loan is payable in 19 quarterly installments of principal and interest beginning on April 2, 2017, with escalating principal payments, at the rate of 5% in year one, 7.5% in year two, 10% in year three, 12.5% in year four, and 15% in year five, with the remaining balance of \$61.8 million due upon maturity. The Revolver, in the aggregate amount of \$200 million, subject to seasonal reduction to an aggregate amount of \$100 million for the period from January 1 through August 1, may be used for working capital and general corporate purposes, subject to certain restrictions.

For each borrowing under the 2016 Amended Credit Agreement, the Company may elect that such borrowing bear interest at an annual rate equal to either: (1) a base rate plus an applicable margin varying from 0.75% to 1.5%, based on the Company 's consolidated leverage ratio, where the base rate is the highest of (a) the prime rate, (b) the highest of the federal funds rate and the overnight bank funding rate as published by the New York Fed, plus 0.5% and (c) an adjusted LIBO rate, plus 1% or (2) an adjusted LIBO rate plus an applicable margin varying from 1.75% to 2.5%, based on the Company's consolidated leverage ratio. The 2016 Amended Credit Agreement requires that while any borrowings are outstanding the Company comply with certain financial covenants and affirmative covenants as well as certain negative covenants, that subject to certain exceptions, limit the Company's ability to, among other things, incur additional indebtedness, make certain investments and make certain restricted payments. The Company was in compliance with these covenants as of July 2, 2017. The 2016 Amended Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Future principal payments under the term loan are as follows: \$7.2 million – fiscal 2018, \$10.1 million – fiscal 2019, \$12.9 million – fiscal 2020, \$15.8 million - fiscal 2021, and \$66.1 million thereafter.

Note 10 . Fair Value Measurements

Cash and cash equivalents, trade and other receivables, accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments. Although no trading market exists, the Company believes that the carrying amount of its debt approximates fair value due to its variable nature. The Company’s investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company’s remaining financial assets and liabilities are measured and recorded at fair value (see table below). The Company’s non-financial assets, such as definite lived intangible assets and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. Goodwill and indefinite lived intangibles are tested for impairment annually, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist, as required under the accounting standards.

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

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

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

	Carrying Value	Fair Value Measurements Assets (Liabilities)		
		Level 1	Level 2	Level 3
<i>(in thousands)</i>				
Assets (liabilities) as of July 2, 2017:				
Trading securities held in a “rabbi trust” (1)	\$ 6,916	\$ 6,916	\$ -	\$ -
	<u>\$ 6,916</u>	<u>\$ 6,916</u>	<u>\$ -</u>	<u>\$ -</u>
Assets (liabilities) as of July 3, 2016:				
Trading securities held in a “rabbi trust” (1)	\$ 4,852	\$ 4,852	\$ -	\$ -
	<u>\$ 4,852</u>	<u>\$ 4,852</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The Company has established a Non-qualified Deferred Compensation Plan for certain members of senior management. Deferred compensation plan assets are invested in mutual funds held in a “rabbi trust” which is restricted for payment to participants of the NQDC Plan. Trading securities held in a rabbi trust are measured using quoted market prices at the reporting date and are included in the “Other assets” line item, with the corresponding liability included in the “Other liabilities” line item in the consolidated balance sheets.

Note 11 . Income Taxes

Significant components of the income tax provision are as follows:

	Years ended		
	July 2, 2017	July 3, 2016	June 28, 2015
<i>(in thousands)</i>			
Current provision (benefit):			
Federal	\$ 11,859	\$ 15,876	\$ 6,630
State	1,758	2,703	1,840
Foreign	-	-	(11)
Current income tax expense	<u>13,617</u>	<u>18,579</u>	<u>8,459</u>
Deferred provision (benefit):			
Federal	(1,563)	(2,949)	1,970
State	(90)	(7)	631
Foreign	4	(44)	(130)
Deferred income tax expense (benefit)	<u>(1,649)</u>	<u>(3,000)</u>	<u>2,471</u>
Income tax expense	<u>\$ 11,968</u>	<u>\$ 15,579</u>	<u>\$ 10,930</u>

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

	Years ended		
	July 2, 2017	July 3, 2016	June 28, 2015
Tax at U.S. statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	2.3	3.4	3.8
Valuation allowance change (*)	14.9	1.3	2.6
Foreign rate differences	0.1	(2.6)	1.1
Deductible stock-based compensation	(1.6)	(0.2)	(1.3)
Domestic production deduction	(2.1)	(2.6)	(2.2)
Tax credits	(1.7)	(4.2)	(3.9)
Tax effect of disposition (*)	(25.3)	-	-
Other, net	(0.2)	0.2	1.0
Effective tax rate	<u>21.4%</u>	<u>30.3%</u>	<u>36.1%</u>

(*) rate impact due to the disposition of Fannie May – see discussion below.

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	
	July 2, 2017	July 3, 2016
(in thousands)		
Deferred income tax assets:		
Loss and credit carryforwards	\$ 12,717	\$ 6,901
Accrued expenses and reserves	4,626	7,267
Stock-based compensation	2,565	2,991
Deferred compensation	1,950	1,540
Gross deferred income tax assets	21,858	18,699
Less: Valuation allowance	(11,772)	(4,936)
Deferred tax assets, net	<u>10,086</u>	<u>13,763</u>
Deferred income tax liabilities:		
Other intangibles	(20,537)	(24,357)
Tax in excess of book depreciation	(23,417)	(24,923)
Deferred tax liabilities	<u>(43,954)</u>	<u>(49,280)</u>
Net deferred income tax liabilities	<u>\$ (33,868)</u>	<u>\$ (35,517)</u>

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 and capital loss carryforwards in federal, certain states, and for its Brazilian and Canadian subsidiaries. During fiscal 2017, the Company's valuation allowance increased primarily as a result of the disposition of Fannie May (see [Note 4](#), above for details), which generated a federal capital loss carryforward of \$23.6 million, partially offset by a write-off of tax attributes of foreign dissolved entities consisting mainly of net operating losses which previously had a full valuation allowance. The Company does not expect to utilize the capital loss carryforward prior to expiration and has therefore provided for a full valuation allowance. At July 2, 2017, the Company's total federal and state capital loss carryforwards were \$23.7 million, which if not utilized, will expire in fiscal 2022. The Company's foreign net operating loss carryforwards were \$2.4 million, which if not utilized, will begin to expire in fiscal 2034.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various foreign countries. The Company concluded its U.S. federal examination for fiscal 2014, however, fiscal years 2015 and 2016 remain subject to U.S. federal examination. Due to ongoing state examinations and nonconformity with the U.S. federal statute of limitations for assessment, certain states remain open from fiscal 2012. The Company commenced operations in foreign jurisdictions in 2012. The Company's foreign income tax filings are open for examination by its respective foreign tax authorities, mainly Canada and the United Kingdom.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. At July 2, 2017, the Company has an unrecognized tax benefit, including an immaterial amount of accrued interest and penalties, of approximately \$0.4 million. During fiscal 2017, the unrecognized tax benefit decreased by \$0.8 million as a result of federal and state tax settlements. The Company believes that no significant unrecognized tax positions will be resolved over the next twelve months.

Note 12 . Capital Stock

Holders of Class A common stock generally have the same rights as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions. During fiscal 2017 and fiscal 2016, 1,361,401 and 4,047,040 shares of Class B common stock, respectively, were converted into shares of Class A common stock.

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company’s Board of Directors authorized an increase to its stock repurchase plan of up to \$25 million. The Company repurchased a total of \$10.7 million (1,120,706 shares), \$15.2 million (1,714,550 shares) and \$8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, \$17.2 million remains authorized under the plan. On August 30, 2017, the Company’s Board of Directors authorized an increase to its stock repurchase plan of up to \$30.0 million.

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 (as amended and restated as of October 22, 2009, as amended as of October 28, 2011 and September 14, 2016) (the “Plan”). The Plan is a broad-based, long-term incentive program that is intended to provide incentives to attract, retain and motivate employees, consultants and directors in order to achieve the Company’s long-term growth and profitability objectives. 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 July 2, 2017, the Company has reserved approximately 6.2 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 within operating income (*) in the periods presented are as follows:

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	<i>(in thousands, except per share data)</i>		
Stock options	\$ 446	\$ 432	\$ 459
Restricted stock awards	5,248	5,911	5,503
Total	5,694	6,343	5,962
Deferred income tax benefit	2,213	1,987	2,087
Stock-based compensation expense, net	<u>\$ 3,481</u>	<u>\$ 4,356</u>	<u>\$ 3,875</u>

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

	Years Ended		
	July 2, 2017 (*)	July 3, 2016	June 28, 2015
	<i>(in thousands)</i>		
Marketing and sales	\$ 1,624	\$ 2,306	\$ 1,866
Technology and development	315	493	392
General and administrative	3,755	3,544	3,704
Total	<u>\$ 5,694</u>	<u>\$ 6,343</u>	<u>\$ 5,962</u>

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).

(*) Excludes approximately \$0.4mm of stock-based compensation expense recorded within the gain on the sale of Fannie May, resulting from the acceleration of vesting of shares for Fannie May personnel, upon completion of the disposition.

Stock Options

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

	Years ended		
	July 2, 2017 (1)	July 3, 2016 (1)	June 28, 2015
Weighted average fair value of options granted	n/a	n/a	\$ 4.86
Expected volatility	n/a	n/a	52%
Expected life (in years)	n/a	n/a	7.3
Risk-free interest rate	n/a	n/a	1.9%
Expected dividend yield	n/a	n/a	0.0%

(1) No options were granted during the fiscal years ended July 2, 2017 and July 3, 2016.

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%.

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The following table summarizes stock option activity during the year ended July 2, 2017:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	2,182,234	\$ 2.49		
Granted	-	\$ -		
Exercised	(54,500)	\$ 5.22		
Forfeited/Expired	-	\$ -		
Outstanding end of period	<u>2,127,734</u>	\$ 2.42	3.8 years	\$ 15,608
Options vested or expected to vest at end of period	2,127,734	\$ 2.42	3.8 years	\$ 15,608
Exercisable at July 2, 2017	1,478,734	\$ 2.38	3.7 years	\$ 10,910

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 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on July 2, 2017. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 was \$0.5, \$4.2 million and \$3.6 million, respectively.

The following table summarizes information about stock options outstanding at July 2, 2017:

Exercise Price	Options Outstanding			Options Exercisable		
	Options Outstanding	Weighted - Average Remaining Contractual Life (years)	Weighted - Average Exercise Price	Options Exercisable	Weighted - Average Exercise Price	
\$ 1.79	1,000,000	3.3	\$ 1.79	750,000	\$ 1.79	
\$ 2.22 – 2.44	32,000	2.5	\$ 2.43	32,000	\$ 2.43	
\$ 2.63	1,010,000	4.3	\$ 2.63	635,000	\$ 2.63	
\$ 3.26 – 10.20	85,734	4.4	\$ 7.31	61,734	\$ 6.92	
	<u>2,127,734</u>	3.8	\$ 2.42	<u>1,478,734</u>	\$ 2.38	

As of July 2, 2017, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was \$0.8 million and the weighted average period over which these awards are expected to be recognized was 1.9 years.

Restricted Stock

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

The following table summarizes the activity of non-vested restricted stock during the year ended July 2, 2017:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	2,017,069	\$ 6.78
Granted	819,406	\$ 9.88
Vested	(965,429)	\$ 6.90
Forfeited	(518,173)	\$ 9.72
Non-vested - end of period	<u>1,352,873</u>	\$ 7.44

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of July 2, 2017, there was \$5.4 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 1.9 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 2017, 2016 and 2015.

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. Up until December 31, 2016, the Company matched 50% of the deferrals made by each participant during the applicable period, up to a maximum of \$2,500. Effective January 1, 2017, the Company suspended contributions. Employees are vested in the Company's contributions based upon years of participation in the plan. Distributions will be made to participants upon termination of employment or death in a lump sum, unless installments are selected. As of July 2, 2017 and July 3, 2016, these plan liabilities, which are included in "Other liabilities" within the Company's

consolidated balance sheets, totaled \$6.9 million and \$4.9 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" within the Company's consolidated balance sheets. Company contributions during the years ended July 2, 2017, July 3, 2016 and June 28, 2015 were less than \$0.1 million. Gains (losses) on these investments, were \$1.0 million, (\$0.1) million and \$0.2 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, are included in "Other (income) expense, net," within the Company's consolidated statements of income.

Note 15 . Business Segments

The Company's management reviews the results of the Company's 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 (a) below), nor does it include depreciation and amortization, other (income) expense, net 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		
	July 2, 2017	July 3, 2016	June 28, 2015
	<i>(in thousands)</i>		
Net revenues:			
1-800-Flowers.com Consumer Floral	\$ 437,132	\$ 418,492	\$ 422,199
BloomNet Wire Service	87,700	85,483	85,968
Gourmet Food & Gift Baskets	670,677	670,453	613,953
Corporate	1,102	1,066	1,020
Intercompany eliminations	(2,986)	(2,470)	(1,634)
Total net revenues	<u>\$ 1,193,625</u>	<u>\$ 1,173,024</u>	<u>\$ 1,121,506</u>

Operating Income from Continuing Operations	Years ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	<i>(in thousands)</i>		
Segment Contribution Margin:			
1-800-Flowers.com Consumer Floral	\$ 51,860	\$ 50,773	\$ 43,529
BloomNet Wire Service	32,383	30,629	29,398
Gourmet Food & Gift Baskets	77,312	79,398	74,889
Segment Contribution Margin Subtotal	161,555	160,800	147,816
Corporate (a)	(81,820)	(85,134)	(81,075)
Depreciation and amortization	(33,376)	(32,384)	(29,124)
Operating income	<u>\$ 46,359</u>	<u>\$ 43,282</u>	<u>\$ 37,617</u>

(a) 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.

Note 16 . Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2030. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Most lease agreements contain renewal options and rent escalation clauses and require the Company to pay real estate taxes, insurance, common area maintenance and operating expenses applicable to the leased properties. The Company has also entered into leases that are on a month-to-month basis. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of July 2, 2017 future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	<i>(in thousands)</i>
2018	\$ 13,772
2019	11,683
2020	8,704
2021	7,776
2022	7,126
Thereafter	39,410
Total minimum lease payments	<u>\$ 88,471</u>

At July 2, 2017, the total future minimum sublease rentals under non-cancelable operating sub-leases for land and buildings were \$4.2 million. Rent expense was approximately \$32.6 million, \$34.3 million and \$28.3 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.

Other Commitments

The Company's purchase commitments consist primarily of inventory, equipment and technology (hardware and software) purchase orders made in the ordinary course of business, most of which have terms less than one year. As of July 2, 2017, the Company had fixed and determinable off-balance sheet purchase commitments with remaining terms in excess of one year of approximately \$2.7 million, primarily related to the Company's technology infrastructure.

The Company had approximately \$1.8 million in unused stand-by letters of credit as of July 2, 2017.

Litigation

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries incident to the operations of its businesses. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such claims, lawsuits and pending actions will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Note 17. Fire at the Fannie May Warehouse and Distribution Facility

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

The following table reflects the costs related to the fire and the insurance recovery and associated gain as of July 3, 2016:

	Fire-related Insurance Recovery
	<i>(in thousands)</i>
Loss on inventory	\$ 29,587
Other fire related costs	5,802
Total fire related costs	35,389
Less: fire related insurance recoveries	(55,000)
Fire related gain	\$ (19,611)

During the three months ended September 27, 2015, the Company and its insurance carrier reached final agreement, and during the three months ended December 27, 2015, the Company received all remaining proceeds from its Fannie May fire claim. The agreement, in the amount of \$55.0 million, provided for: (i) recovery of raw materials and work-in-process at replacement cost, and finished goods at selling price, less costs to complete the sale and normal discounts and other charges, as well as (ii) other incremental fire-related costs. The cost of inventory lost in the fire was approximately \$29.6 million, while other fire-related costs amounted to approximately \$5.8 million, including incremental contracted lease and cold storage fees which were incurred by the Company until the move back into its leased facility once the landlord completed repairs, during the Company's third quarter of fiscal 2016. The resulting gain of \$19.6 million is included in "Other (income) expense, net" in the consolidated statements of income for the year ended July 3, 2016.

1-800-FLOWERS.COM, Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Additions		Deductions - Describe (a)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts - Describe		
Reserves and allowances deducted from asset accounts:					
Reserve for estimated doubtful accounts-accounts/notes receivable					
Year Ended July 2, 2017	\$ 2,104,000	\$ 1,158,000	\$ -	\$ (1,416,000)	\$ 1,846,000
Year Ended July 3, 2016	\$ 2,235,000	\$ 1,278,000	\$ -	\$ (1,409,000)	\$ 2,104,000
Year Ended June 28, 2015	\$ 2,443,000	\$ 1,295,000	\$ -	\$ (1,503,000)	\$ 2,235,000

(a) Reduction in reserve due to write -off of accounts/notes receivable balances.

Subsidiaries of the Registrant
(as of July 2, 2017)

1-800-FLOWERS Service Support Center, Inc. (New York)
1-800-FLOWERS Team Services, Inc. (Delaware)
1-800-FLOWERS Retail, Inc. (Delaware)
1-800-FLOWERS.COM Franchise Co., Inc. (Delaware)
800-FLOWERS, Inc. (New York)
Conroy 's Inc. (California)
The Popcorn Factory, Inc. (Delaware)
Guarded Realty Holdings, LLC (Delaware)
BloomNet, Inc. (Delaware)
18F California, Inc. (California)
Cheryl & Co. (Ohio)
Floranet Iberia S.L. (Spain)
Fresh Gift Cards, Inc. (Florida)
DesignPac Co., Inc. (Delaware)
DesignPac Gifts, LLC (Illinois)
Napco Marketing Corp. (Delaware)
18F Virginia, Inc. (Virginia)
Celebrations.com, LLC (Delaware)
Flowerama of America, Inc. (Iowa)
Greatfoods, LLC (Delaware)
18F UK Holding Company Limited (United Kingdom)
FOL UK Holding Company Limited (United Kingdom)
1-800-Flowers.com DO Brasil Participacoes LTDA (Brazil)
1873349 Ontario Inc. (Canada)
WTN Services LLC (California)
Personalization Universe, LLC (Delaware)
Harry & David Holdings, Inc. (Delaware)
Harry and David, LLC (Oregon)
Harry & David Operations, Inc. (Delaware)
Bear Creek Orchards, Inc. (Delaware)
MyFlorist.net, LLC (Delaware)

Consent of Independent Registered Public Accounting Firm

1-800-Flowers.com, Inc. and Subsidiaries
Carle Place, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.333-54590, 333-119999, 333-164727 and 333-192304) of 1-800-FLOWERS.COM, Inc. and Subsidiaries of our reports dated September 15, 2017, relating to the consolidated financial statements and financial statement schedule, and the effectiveness of 1-800-FLOWERS.COM, Inc. and Subsidiaries internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP
Melville, New York

September 15, 2017

**CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(RULE 13a-14 (a))**

I, Christopher G. McCann, certify that:

- (1) I have reviewed this annual report on Form 10-K of 1-800-FLOWERS.COM, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 15, 2017

/s/ Christopher G. McCann
Christopher G. McCann
Chief Executive Officer,
Director and President

**CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(RULE 13a-14 (a))**

I, William E. Shea, certify that:

- (1) I have reviewed this annual report on Form 10-K of 1-800-FLOWERS.COM, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over the financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 15, 2017

/s/ William E. Shea
William E. Shea
Senior Vice President,
Treasurer and
Chief Financial Officer

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of 1-800-FLOWERS.COM, Inc. (the "Company") hereby certifies, to the best of such officers' knowledge, that:

(1) the Annual Report on Form 10-K of the Company for the year ended July 2, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 15, 2017

/s/ Christopher G. McCann

Christopher G. McCann
Chief Executive Officer,
Director and President

Dated: September 15, 2017

/s/ William E. Shea

William E. Shea
Senior Vice President,
Treasurer and
Chief Financial Officer

These certifications are furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certifications will not be deemed to be incorporated by reference in to any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates them by reference.

**FIRST AMENDMENT TO THE
STOCK PURCHASE AGREEMENT**

This FIRST AMENDMENT TO THE STOCK PURCHASE AGREEMENT, dated May 29, 2017 (this “**Amendment**”), is made by and between Ferrero International S.A., a Luxembourg corporation (“**Buyer**”), and 1-800-Flowers.com, Inc., a Delaware corporation (“**Seller**”). Capitalized terms not defined herein shall have the meanings set forth in the Stock Purchase Agreement, dated as of March 15, 2017 (as amended, modified or supplemented from time to time in accordance with its terms, the “**Purchase Agreement**”), by and between Buyer and Seller.

WHEREAS, the Buyer and Seller have entered into the Purchase Agreement, pursuant to which the Seller has agreed to sell, convey, assign, transfer and deliver to Buyer, and Buyer has agreed to purchase, acquire and accept from Seller, all of the outstanding Shares of Fannie May Confections Brands, Inc., a Delaware corporation;

WHEREAS, the parties have agreed, as a result of a planned decrease in production levels, that any working capital impact due to the inventory reduction will be shared evenly between the parties; and

WHEREAS, the parties desire to amend the Purchase Agreement in accordance with Section 13.02 thereof, as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Agreements and Amendments.

a. Section 2.04 (b) of the Purchase Agreement is hereby amended by adding the following to the end of the last sentence in such Section:

“; *provided, however*, that if as a result of reduced production beginning on or after May 1, 2017, the Company and its Subsidiaries produce less than 925,000 pounds (excluding pounds related to the Edward Marc brands contract manufacturing business) for the period May 1, 2017, through the Closing Date, the resulting decrease in inventory shall only reduce Closing Working Capital by 50% of the dollar value of such inventory reduction (for example, if the Company and its Subsidiaries produce 500,000 pounds less and the resulting value of such absorption is \$0.70 per pound, then \$175,000 of the \$350,000 inventory reduction would continue to be counted as current assets for the purposes of the calculation of Closing Working Capital).”

b. The Purchase Agreement is hereby amended by adding the following as a new Section 7.08:

“Section 7.08. *Certain License Agreements*. Within 60 days after the Closing Date, the parties agree to negotiate in good faith and use commercially reasonable efforts to: (a) amend the license agreements set forth as the eighth and ninth bullets, as amended, on Section 3.12(xii) of the Seller Disclosure Schedule (the “**License Agreements**”), such that in no event shall any such License Agreements purport to bind any of the Company and its Subsidiaries or otherwise apply to any of their brands, trademarks, logos, service marks, trade names, or any goodwill associated therewith (collectively, the “**Applicable Company Brands**”) (it being understood that the Company and its Subsidiaries shall have no rights or obligations thereunder), and (b) cause the counterparties to such License Agreements to enter into separate license agreements with the Company and its Subsidiaries whereby the Applicable Company Brands will be licensed to such counterparties as otherwise provided in the applicable License Agreements. Until the earlier of (x) expiration of the term of the License Agreements and (y) the separation of the License Agreements pursuant to the foregoing sentence, the Company and its Subsidiaries shall continue to abide by the terms of such Licenses Agreements to the extent such terms relate to the Applicable Company Brands and Seller shall, within ten (10) days of receipt of any royalties under the License Agreements with respect to any of the Applicable Company Brands (for the period beginning on the Closing Date), remit such royalty amounts to the Company and its Subsidiaries.”

2. Miscellaneous. Any reference in the Purchase Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall hereafter be deemed to refer to the Purchase Agreement as hereby amended. Except as expressly amended herein, the parties hereby agree and acknowledge that all of the terms and provisions set forth in the Purchase Agreement remain in full force and effect in all respects. To the extent of any inconsistency between the provisions of this Amendment and the provisions of the Purchase Agreement, the terms of this Amendment shall govern. This Amendment shall be governed and construed in accordance with the Purchase Agreement.

3. Dispute Resolution; Arbitration; Governing Law; Waiver of Jury Trial.

a. This Amendment, and all claims and defenses arising out of or relating to this Amendment or the formation, breach, termination or validity of this Amendment, shall in all respects be governed by, and construed in accordance with, the Laws of the State of New York without giving effect to any conflicts of Law principles of such state that would apply the Laws of another jurisdiction.

b. The provisions of Section 13.07 of the Purchase Agreement shall apply to this Amendment *mutatis mutandis*.

4. Entire Agreement. The Purchase Agreement (as amended by this Amendment) and the other Transaction Agreements constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

5. Counterparts. This Amendment may be executed in one or more counterparts, and by the different parties to such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or other means of electronic transmission shall be as effective as delivery of a manually executed counterpart of any such Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

FERRERO INTERNATIONAL S.A.

By: /s/ Fabrizio Minneci
Name: Fabrizio Minneci

Title: Director

By: /s/ Jorge De Moragas

Name: Jorge De Moragas

Title: Director

1-800-FLOWERS.COM, INC.

By: /s/ William E. Shea

Name: William E. Shea

Title: Chief Financial Officer