1 800 FLOWERS COM INC
Form 10-Q/A
December 18, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 27, 2009

or

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___

Commission File No. 0-26841

1-800-FLOWERS.COM, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE	11-3117311
(State of incorporation)	(I.R.S. Employer Identification No.)

One Old Country Road, Carle Place, New York 11514
(Address of principal executive offices)(Zip code)

(516) 237-6000
(Registrant's telephone number, including area code)

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 (X) No ( )

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).
Yes ( ) No ( )

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

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

Indicate by check mark whether the registrant is a shell company (as defined in

Rule 12b-2 of the Exchange Act).
Yes ( )   No (X)

The number of shares outstanding of each of the Registrant's classes of common stock:

26,616,835

(Number of shares of Class A common stock outstanding as of October 30, 2009)

36,858,465

(Number of shares of Class B common stock outstanding as of October 30, 2009)

1-800-FLOWERS.COM, Inc.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended September 27, 2009, as filed with the Securities and Exchange Commission on November 6, 2009, is to filed revised certifications of our principal executive officer and principal financial officer as Exhibit 32.1 to include the conformed signature of such officers, which were unintentionally omitted from the EDGAR filing.

No other changes have been made to the Form 10-Q other than the one described above. This Amendment No. 1 does not reflect subsequent events occurring after the original filing date of the Form 10-Q or modify or update in any way disclosures made in the Form 10-Q.

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ITEM 1. - CONSOLIDATED FINANCIAL STATEMENTS

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

	September 27, 2009 (unaudited)
Assets	
Current assets:	
Cash and equivalents	$2,977
Receivables, net	20,554
Inventories	74,471
Deferred tax assets	13,026
Prepaid and other	6,255
Current assets of discontinued operations	21,419
Total current assets	138,702
Property, plant and equipment, net	52,850
Goodwill	41,233
Other intangibles, net	42,080
Deferred tax assets	11,902
Other assets	4,423
Non-current assets of discontinued operations	9,149
Total assets	$300,339
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued expenses	$49,170
Current maturities of long-term debt and obligations under capital leases	52,222
Current liabilities of discontinued operations	3,752

Total current liabilities	105,144
Long-term debt and obligations under capital leases	64,061
Other liabilities	2,546
Non-current liabilities of discontinued operations	1,306
Total liabilities	173,057
Commitments and contingencies	
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 31,744,449 and 31,730,404 shares issued at September 27, 2009 and June 28, 2009, respectively	317
Class B common stock, $.01 par value, 200,000,000 shares authorized 42,138,465 shares issued at September 27, 2009 and June 28, 2009	421
Additional paid-in capital	282,300
Retained deficit	(123,531)
Accumulated other comprehensive loss, net of tax	(279)
Treasury stock, at cost - 5,122,225 Class A shares and 5,280,000 Class B shares	(31,946)
Total stockholders' equity	127,282
Total liabilities and stockholders' equity	300,339

See accompanying Notes to Consolidated Financial Statements.

1-800-FLOWERS.COM, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	September 27, 2009	September 2008
Net revenues	$108,316	$135,438
Cost of revenues	64,562	83,242
Gross profit	43,754	52,196
Operating expenses:		
Marketing and sales	29,476	32,074
Technology and development	4,556	5,063
General and administrative	12,534	14,054
Depreciation and amortization	4,946	5,075
Total operating expenses	51,512	56,266
Operating loss	(7,758)	(4,070
Other income (expense):		
Interest income	14	89

Interest expense	(1,546)	(1,158
Other, net	2	4
Total other income (expense), net	(1,530)	(1,065
Loss from continuing operations before income taxes	(9,288)	(5,135
Income tax benefit from continuing operations	3,622	2,017
Loss from continuing operations	(5,666)	(3,118
Loss from discontinued operations before income taxes	(2,638)	(3,617
Income tax benefit from discontinued operations	1,029	1,431
Loss from discontinued operations	(1,609)	(2,186
Net loss	($7,275)	($5,304
Basic and diluted net loss per common share:		
From continuing operations	($0.09)	($0.05
From discontinued operations	(0.03)	(0.03
Net loss per common share	($0.11)	($0.08
Weighted average shares used in the calculation of basic and diluted net loss per common share	63,472	63,518

See accompanying Notes to Consolidated Financial Statements.

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

	Three Mon
	September 27, 2009
Operating activities:	
Net loss	($7,275)
Reconciliation of net loss to net cash used in operating activities:	
Operating activities of discontinued operations	(1,695)
Depreciation and amortization	4,946
Deferred income taxes	(360)
Stock-based compensation	1,053
Bad debt expense	309
Other	84
Changes in operating items, excluding the effects of acquisitions:	
Receivables	(9,528)

Inventories	(28,617)
Prepaid and other	(1,675)
Accounts payable and accrued expenses	(4,290)
Other assets	(86)
Other liabilities	(2)
Net cash used in operating activities	(47,136)
Investing activities:	
Acquisitions, net of cash acquired	-
Capital expenditures	(2,283)
Purchase of investment	(598)
Other, net	39
Investing activities of discontinued operations	(35)
Net cash used in investing activities	(2,877)
Financing activities:	
Proceeds from employee stock options	-
Proceeds from bank borrowings	29,000
Repayment of notes payable and bank borrowings	(5,087)
Debt issuance cost	-
Repayment of capital lease obligations	(485)
Financing activities of discontinued operations	-
Net cash provided by financing activities	23,428
Net change in cash and equivalents	(26,585)
Cash and equivalents:	
Beginning of period	29,562
End of period	$2,977

See accompanying Notes to Consolidated Financial Statements.

1-800-FLOWERS.COM, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by 1-800-FLOWERS.COM, Inc. and subsidiaries (the "Company") in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 27, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending June 27, 2010.

The balance sheet information at June 28, 2009 has been derived from the audited financial statements at that date.

The information in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

References in this Quarterly Report on Form 10-Q to "authoritative guidance" are to the Accounting Standards Codification issued by the Financial Accounting Standards Board ("FASB") in June 2009.

Subsequent events have been evaluated through the filing date (November 6, 2009) of these unaudited consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

Comprehensive Income (loss)

For the three months ended September 27, 2009 and September 28, 2008, the Company's comprehensive net losses were as follows:

	Three Months Ended	
	September 27, 2009	September 28, 2008
	(in thousands)	
Net loss	($7,275)	($5,304)
Change in fair value of cash flow hedge, net of tax	(279)	-
Comprehensive loss	($7,554)	($5,304)

Recent Accounting Pronouncements

In June 2009, the FASB issued authoritative guidance to establish the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The Codification, which changes the referencing of financial standards, supersedes current authoritative guidance and is effective for the Company's interim reporting for the quarter ended on September 27, 2009. The Codification is not intended to change or alter existing GAAP and is not expected to result in a change in accounting practice for the Company.

In April 2009, the FASB issued authoritative guidance for business combinations that amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance requires such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with authoritative guidance for contingencies. The guidance became effective for the Company's business combinations for which the acquisition date is on or after June 29, 2009. The Company did not complete any business combinations during the three months ended September 27, 2009, and the effect on future periods will depend on the nature and significance of business combinations subject to this guidance.

In April 2009, the FASB issued authoritative guidance to increase the frequency of fair value disclosures of financial instruments, thereby enhancing consistency in financial reporting. The guidance relates to fair value disclosures for any financial instruments that are not currently reflected on a company's balance sheet at fair value. Prior to the effective date of this guidance, fair values for these assets and liabilities have only been disclosed once a year. The guidance now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The disclosure requirement under this guidance is effective for the Company's interim reporting period for the three months ended on September 27, 2009. The implementation did not have a material impact on the Company's financial position, results of operations or cash flows as it is disclosure-only in nature.

In April 2008, the FASB issued authoritative guidance for general intangibles other than goodwill, amending factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This guidance is effective for the Company for intangible assets acquired on or after June 29, 2009. The adoption did not have a material impact on the Company's results of operations, financial position or cash flows.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform with the presentation in the current fiscal year. As a result of the Company's decision to dispose of its Home & Children's Gifts businesses, this segment has been accounted for as a discontinued operation and the prior periods have been reclassified to conform to the current period presentation.

Note 2 - Net Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted average number of common shares outstanding during the period, and excludes the effect of dilutive potential common shares (consisting of employee stock options and unvested restricted stock awards) for the three months ended September 27, 2009 and September 28, 2008, respectively, as their inclusion would be antidilutive.

Note 3 - Stock-Based Compensation

The Company has a Long Term Incentive and Share Award Plan, which is more fully described in Note 11 to the consolidated financial statements included in the Company's 2009 Annual Report on Form 10-K, that 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 stock-based awards.

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

	Three Months Ended	
	September 27, 2009	September 28, 2008
	(in thousands)	
Stock options	$495	$360
Restricted stock awards	558	859
Total	1,053	1,219
Deferred income tax benefit	322	389
Stock-based compensation expense, net	$731	$830

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

	Three Months Ended	
	September 27, 2009	September 28, 2008
	(in thousands)	
Marketing and sales	$458	$531
Technology and development	229	175
General and administrative	366	513
Total	$1,053	$1,219

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 granted during the respective periods were as follows:

	Three Months Ended	
	September 27, 2009	September 28, 2008
Weighted average fair value of options granted	$1.63	$3.06
Expected volatility	62.0%	41.0%
Expected life	5.6 yrs	6.4 yrs
Risk-free interest rate	2.48%	2.84%
Expected dividend yield	0.0%	0.0%

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1-800-FLOWERS.COM, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

The following table summarizes stock option activity during the three months ended September 27, 2009:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at June 28,2009	8,916,672	$7.52	
Granted	125,000	$2.87	
Exercised	-	-	
Forfeited/expired	(604,647)	$18.35	
Outstanding at September 27, 2009	8,437,025	$6.67	4.0 years
Options vested or expected to vest at September 27, 2009	8,183,667	$6.76	3.8 years
Exercisable at September 27, 2009	6,166,907	$7.51	2.8 years

As of September 27, 2009, the total future compensation cost related to nonvested options, not yet recognized in the statement of income, was $3.3 million and the weighted average period over which these awards are expected to be recognized was 2.6 years.

The Company grants shares of common stock to its employees that are subject to restrictions on transfer and risk of forfeiture until fulfillment of applicable service conditions (Restricted Stock Awards). The following table summarizes the activity of non-vested restricted stock awards during the three months ended September 27, 2009:

Weighted
Average Grant

	Shares	Date Fair Value
Non-vested at June 28, 2009	1,700,912	$4.62
Granted	54,000	$2.87
Vested	(14,045)	$6.89
Forfeited	(10,041)	$6.55
Non-vested at September 27, 2009	1,730,826	$4.53

The fair value of nonvested shares is determined based on the closing stock price on the grant date. As of September 27, 2009, there was $3.9 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over the weighted-average remaining period of 1.9 years.

Note 4 - Acquisitions

The Company accounts for its business combinations using the purchase method of accounting. Under the purchase method of accounting for business combinations, the aggregate purchase price for the acquired business is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. Operating results of the acquired entities are reflected in the Company's consolidated financial statements from date of acquisition.

Acquisition of Napco Marketing Corp.

On July 21, 2008, the Company acquired selected assets of Napco Marketing Corp. ("Napco"), a wholesale merchandiser and marketer of products designed primarily for the floral industry. The purchase price of approximately $9.4 million included the acquisition of a fulfillment center located in Jacksonville, FL, inventory, and certain other assets, as well as the assumption of certain related liabilities, including their seasonal line of credit of approximately $4.0 million. The acquisition was financed utilizing a combination of available cash on hand and through borrowings under the Company's revolving credit facility. The purchase price includes an up-front cash payment of $9.3 million, net of cash acquired, and the expected portion of "earn-out" incentives, which amounted to a maximum of $1.6 million through the years ending July 2, 2012, upon achievement of specified performance targets. As of September 27, 2009, the Company does not expect that any of the specified performance targets will be achieved.

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

	Napco Purchase Price Allocation

	(in thousands)
Current assets	$5,119
Property, plant and equipment	3,929
Intangible assets	397
Other	74
Total assets acquired	9,519
Current liabilities	162
Total liabilities assumed	162
Net assets acquired	$9,357

Acquisition of Geerlings & Wade

On March 25, 2009, the Company acquired selected assets of Geerlings & Wade, Inc., a retailer of wine and related products. The purchase price of approximately $2.6 million included the acquisition of inventory, and certain other assets (approximately $1.4 million of goodwill is deductible for tax purposes), as well as the assumption of certain related liabilities. The acquisition was financed utilizing available cash on hand.

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

	Geerlings & Wade Purchase Price Allocation
	(in thousands)
Current assets	$990
Intangible assets	253
Goodwill	1,440
Total assets acquired	2,683
Current liabilities	77
Total liabilities assumed	77
Net assets acquired	$2,606

Pro forma Results of Operation

The following unaudited pro forma consolidated financial information has been prepared as if the acquisitions of Napco and Geerlings & Wade had taken place at the beginning of fiscal year 2009. The following unaudited pro forma information is not necessarily indicative of the results of operations in future periods or results that would have been achieved had the acquisitions taken place at the beginning of the periods presented.

	Three Months Ended	
	September 27, 2009	September 28, 2008
	(in thousands, except per share data)	
Net revenues from continuing operations	$108,316	$137,414
Operating loss from continuing operations	(7,758)	(3,881)
Net loss from continuing operations	(5,666)	(2,964)
Basic and diluted net loss per common share from continuing operations	$(0.09)	$(0.05)

Note 5 - Inventory

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

	September 2009
	(i
Finished goods	$47,4
Work-in-Process	20,4
Raw materials	6,6
	$74,4

Note 6 - Goodwill and Intangible Assets

The change in the carrying amount of goodwill is as follows:

	1-800-Flowers.com Consumer Floral	BloomNet Wire Service	Gourmet Food and Gift Baskets
	(in thousands)		
Balance at June 28, 2009	$5,728	$-	$35,477
Acquisition Adjustment	-	-	28
Balance at September 27, 2009	$5,728	$-	$35,505

1-800-FLOWERS.COM, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

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

		September 27, 2009			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount
			(in thousands)		
Intangible assets with determinable lives					
Investment in licenses	14 - 16 years	$5,314	$4,942	$372	$5,314
Customer lists	3 - 10 years	15,695	5,198	10,497	15,695
Other	5 - 8 years	2,388	1,058	1,330	2,388
		23,397	11,198	12,199	23,397
Trademarks with indefinite lives	-	29,881	-	29,881	29,881
Total identifiable intangible assets		$53,278	$11,198	$42,080	$53,278

Future estimated amortization expense is as follows: remainder of fiscal 2010 - $2.3 million, fiscal 2011 - $2.3 million, fiscal 2012 - $1.6 million, and fiscal 2013 - $1.5 million, and thereafter - $4.5 million.

Note 7 - Long-Term Debt

The Company's long-term debt and obligations under capital leases consist of the following:

	September 2009
	(i
Term loan (1)	$82,2
Revolving line of credit (1)	29,0
Obligations under capital leases (2)	5,0
	116,2
Less current maturities of long-term debt and obligations under capital leases	52,2
	$64,0

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(1) In order to fund the increase in working capital requirements associated with DesignPac which was acquired on April 30, 2008, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. The Amended 2008 Credit Facility, effective March 29, 2009, also revises certain financial and non-financial covenants, including maintenance of certain financial ratios and eliminates the consolidated net worth covenant that had been included in the previous agreement.

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1-800-FLOWERS.COM, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment. The obligations of the Company and its subsidiaries under the Amended 2008 Credit Facility are secured by liens on all personal property of the Company and its subsidiaries.

(2) During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. Borrowings under the bank line are collateralized by the underlying equipment purchased, while the equipment lease line with the vendor is unsecured. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

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

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matures on July 25, 2012. The Company has designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments. The effective portion of the after tax fair value gains or losses on these swaps is included as a component of accumulated other comprehensive loss. The ineffective portion, if any, is recorded within interest expense in the consolidated statement of operations.

Note 8-Fair Value Measurements

Effective June 30, 2008, the Company adopted authoritative guidance for fair value measurement and disclosure provisions of fair value measurements of financial and non-financial assets and liabilities that were already subject to fair value measurements under current accounting rules. This guidance also required expanded disclosures related to fair value measurements.

On June 29, 2009, the Company adopted the newly issued accounting standard for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The Company's non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred.

Cash and cash equivalents, trade accounts receivable, income tax receivable, trade accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.

The 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.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's interest rate swap which is included in other liabilities in the consolidated balance sheet:

	Total as of September 27, 2009	Fair Value Me Assets (Liab Level 1	Lev
		(in thousands)	
Interest rate swap (1)	$(457)	-	$(45

(1) Included in other long-term liabilities on the consolidated balance sheet.

The following presents the balances and net changes in the accumulated other comprehensive loss related to this interest rate swap, net of income taxes.

	Three Months Ended September 27, 2009
	(in thousands)
Balance at the beginning of period	$-
Amount reclassified to interest expense, net of tax benefit of $57	89
Net change in fair value of interest rate swap, net of tax benefit of $235	(368)
Balance at end of period	($279)

Note 9 - Income Taxes

At the end of each interim reporting period, the Company estimates its effective income tax rate expected to be applicable for the full year. This estimate is used in providing for income taxes on a year-to-date basis and may change in subsequent interim periods. The Company's effective tax rate for the three months ended September 27, 2009 was 39.0%, compared to 39.3% during the comparative three months ended September 28, 2008. The Company's effective tax rate for the three months ended September 27, 2009 and September 28, 2008 differed from the U.S. federal statutory rate of 35% primarily due to state income taxes, partially offset by various tax credits.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is currently under examination by the Internal Revenue Service for its fiscal 2007 tax year, however fiscal 2006 through fiscal 2008 remain subject to examination, with the exception of certain states where the statute remains open from fiscal 2004, due to non-conformity with the federal statute of limitations for assessment. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Note 10 - Business Segments

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

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

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment, which includes Home Decor and Children's Gifts from Plow & Hearth(R), Wind & Weather(R), HearthSong(R) and Magic Cabin(R), as discontinued operations for all periods presented.

Category performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the categories. As such, management's measure of profitability for these categories does not include the effect of corporate overhead (see (*) below), which are operated under a centralized management platform, providing services throughout the organization, nor does it include stock-based compensation, depreciation and amortization, other income (net), and income taxes. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by category.

Net revenues	Three Months Ended September 27, 2009	Three Months Ended September 28, 2008
	(in thousands)	
Net revenues:		
1-800-Flowers.com Consumer Floral	$70,003	$83,482
BloomNet Wire Service	13,785	15,381
Gourmet Food & Gift Baskets	24,740	36,762
Corporate (*)	126	204
Intercompany eliminations	(338)	(391)
Total net revenues	$108,316	$135,438

Operating Loss	Three Months Ended September 27, 2009	Three Months Ended September 28, 2008
	(in thousands)	

Category Contribution Margin:		
1-800-Flowers.com Consumer Floral	$7,673	$10,587
BloomNet Wire Service	4,105	4,340
Gourmet Food & Gift Baskets	(3,210)	(940)
Category Contribution Margin Subtotal	$8,568	$13,987
Corporate (*)	(11,380)	(12,982)
Depreciation and amortization	(4,946)	(5,075)
Operating Loss	($7,758)	($4,070)

(*) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among others, 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 category.

Note 11. Discontinued Operations

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Three Months Ended	
	September 27, 2009	September 28 2008
	(in thousands)	
Net revenues from discontinued operations	$17,354	$22,595
Operating loss from discontinued operations	(2,638)	(3,617)
Income tax benefit from discontinued operations	(1,029)	(1,431)
Loss from discontinued operations	(1,609)	(2,186)

Assets and liabilities of discontinued operations are as follows:

	September 27, 2009
	(in
Assets of discontinued operations	
Receivables, net	$ 627
Inventories	15,685
Prepaid and other	5,107
Current assets of discontinued operations	21,419
Property, plant and equipment, net	8,387
Other intangibles, net	666
Other assets	96
Non-current assets of discontinued operations	9,149
Total assets of discontinued operations	$30,568
Liabilities of discontinued operations	
Accounts payable and accrued expenses	$3,752
Current liabilities of discontinued operations	3,752
Non-current liabilities of discontinued operations	1,306
Total liabilities of discontinued operations	$5,058

Note 12 - Commitments and Contingencies

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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward Looking Statements

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-Q and in the Company's Annual Report on 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 or referred to under the caption "Forward-Looking Information" and under Part II, Item 1A -- "Risk Factors".

Overview

1-800-FLOWERS.COM, Inc. is the world's leading florist and gift shop. For more than 30 years, 1-800-FLOWERS.COM, Inc. has been providing customers with fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, balloons and plush stuffed animals perfect for every occasion. 1-800-FLOWERS.COM(R) (1-800-356-9377 or www.1800flowers.com), was listed as a Top 50 Online Retailer by Internet Retailer in 2006, as well as 2008 Laureate Honoree by the Computerworld Honors Program and the recipient of ICMI's 2006 Global Call Center of the Year Award. 1-800-FLOWERS.COM offers the best of both worlds: exquisite arrangements created by some of the nation's top floral artists and hand-delivered the same day, and spectacular flowers shipped overnight Fresh From Our Growers(R). As always, 100% satisfaction and freshness are guaranteed. The Company's BloomNet(R) international floral wire service provides (www.mybloomnet.net) a broad range of quality products and value-added services designed to help professional florists grow their businesses.

The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as popcorn and specialty treats from The Popcorn Factory(R) (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl&Co.(R) (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May(R) Confections Brands (www.fanniemay.com and www.harrylondon.com); wine gifts from Ambrosia(R) (www.ambrosia.com) and Geerlings&WadeSM (www.geerwade.com); gift baskets from 1-800-BASKETS.COM(R) (www.1800baskets.com) and DesignPac Gifts(TM) (www.designpac.com) and Celebrations(R) (www.celebrations.com), a new premier online destination for fabulous party ideas and planning tips.

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. The Company has classified the results of operations of its Home & Children's Gifts segment, which includes Home Decor and Children's Gifts from Plow & Hearth(R) (1-800-627-1712 or www.plowandhearth.com), Wind & Weather(R) (www.windandweather.com), HearthSong(R) (www.hearthsong.com) and Magic Cabin(R) (www.magiccabin.com), as discontinued operations for all periods presented.

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

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Category Information

The following table presents the contribution of net revenues, gross profit and category contribution margin or category "EBITDA" (earnings before interest, taxes, depreciation and amortization) from each of the Company's business categories. (As noted previously, the Company's Home & Children's Gifts segment has been classified as discontinued operations and therefore excluded from category information below).

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		

Net Revenues from continuing operations:			
1-800-Flowers.com Consumer Floral	$70,003	$83,482	(16.1%)
BloomNet Wire Service	13,785	15,381	(10.4%)
Gourmet Food & Gift Baskets	24,740	36,762	(32.7%)
Corporate (*)	126	204	(38.2%)
Intercompany eliminations	(338)	(391)	13.6%
Total net revenues from continuing operations	$108,316	$135,438	(20.0%)

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
Gross Profit from continuing operations:			
1-800-Flowers.com Consumer Floral	$25,847	$31,690	(18.4%)
	36.9%	38.0%	
BloomNet Wire Service	8,022	8,340	(3.8%)
	58.2%	54.2%	
Gourmet Food & Gift Baskets	9,791	12,032	(18.6%)
	39.6%	32.7%	
Corporate (*)	94	157	(40.1%)
	74.6%	77.0%	
Intercompany eliminations	-	(23)	
Total gross profit from continuing operations	$43,754	$52,196	(16.2%)
	40.4%	38.5%	

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
EBITDA (**) from continuing operations:	(in thousands)		
Category Contribution Margin:			
1-800-Flowers.com Consumer Floral	$7,673	$10,587	(27.5%)
BloomNet Wire Service	4,105	4,340	(5.4%)
Gourmet Food & Gift Baskets	(3,210)	(940)	(241.5%)
Category Contribution Margin Subtotal	8,568	13,987	(38.7%)
Corporate (*)	(11,380)	(12,982)	12.3%
EBITDA from continuing operations	($2,812)	$1,005	(379.8%)

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
Discounted operations:	(in thousands)		
Net Revenues from discontinued operations	$17,354	$22,595	(23.2%)
Gross profit from discontinued operations	7,548	9,626	(21.6%)
EBITDA from discontinued operations	(2,119)	(3,016)	29.7%

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(*) 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 category.

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

Reconciliation of Net Loss from Continuing Operations to EBITDA from Continuing Operations:

	Three Months Ended	
	September 27, 2009	September 28, 2008

	(in thousands)	
Net loss from continuing operations	($5,666)	($3,118)
Add:		
Interest expense	1,546	1,158
Depreciation and amortization	4,946	5,075
Less:		
Income tax benefit	3,622	2,017
Interest income	14	89
Other income	2	4
EBITDA from continuing operations	($2,812)	$1,005

Results of Operations

Net Revenues

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
Net revenues:			
E-Commerce	$74,840	$87,896	(14.9%)
Other	33,476	47,542	(29.6%)
Total net revenues	$108,316	$135,438	(20.0%)

During the three months ended September 27, 2009, revenues declined by 20.0% over the prior year, resulting from continued weakness in the retail economy which contributed to lower wholesale order volume from DesignPac Gifts, which is included within the Company's Gourmet Food & Gift Baskets business, combined with lower demand within the consumer floral business and from weakness in wholesale product sales within the BloomNet WireService business. Approximately $8.0 million of the reduction in the Gourmet Food & Gift Baskets business was attributable to a shift in DesignPac customer shipments into the upcoming second quarter of fiscal 2010.

The Company fulfilled approximately 1,232,100 orders through its E-commerce sales channels (online and telephonic sales) during the three months ended September 27, 2009, a decrease of 10.5% over the prior year period, reflecting a continued decline in consumer spending, primarily within the 1-800-Flowers.com Consumer Floral category. The Company's E-commerce average order value of $60.74 decreased 4.8% over the prior year period.

Other revenues decreased as a result of the aforementioned decline within the Gourmet Food & Gifts business, primarily related to DesignPac, approximately $8.0 million of which was due to the movement of several large shipments into the Company's second quarter, as well as lower revenue from floral product sales within the Company's BloomNet Wire Service category.

The 1-800-Flowers.com Consumer Floral category includes the operations of the 1-800-Flowers brand which derives revenue from the sale of consumer floral products through its E-Commerce sales channels (telephonic and online sales) and company-owned and operated retail floral stores, as well as royalties from its franchise operations. Net revenues during the three months ended September 27, 2009 decreased by 16.1% over the prior year period, as a result of lower order volume and average order value as a result of the continued decline in demand throughout the consumer sector caused by the weak economy.

The BloomNet Wire Service category includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during the three months ended September 27, 2009 decreased by 10.4% over the prior year period, primarily as a result of decreased wholesale product revenues as florists scaled back and delayed purchases.

The Gourmet Food & Gift Basket category includes the operations of the Cheryl & Co., Fannie May, The Popcorn Factory, The Winetasting Network and DesignPac businesses. Revenue is derived from the sale of cookies, baked gifts, premium chocolates and confections, gourmet popcorn, wine gifts and gift baskets through its E-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Cheryl & Co. and Fannie May brands, as well as wholesale operations. Net revenue during the three months ended September 27, 2009 decreased by 32.7% over the prior year period, primarily reflecting reduced orders from DesignPac wholesale customers, including the shift of approximately $8.0 million of wholesale orders into the Company's second fiscal quarter.

The Company expects economic conditions for consumers will continue to be very challenging. Based on this outlook, the Company anticipates that revenues for fiscal year 2010 will be consistent to down approximately 5 percent compared with the prior year.

Gross Profit

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
Gross profit	$43,754	$52,196	(16.2%)
Gross margin %	40.4%	38.5%	

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

Gross profit decreased during the three months ended September 27, 2009, due primarily to the decline in revenues described above, while gross margin percentage increased 190 basis points as a result of product mix, primarily reflecting the impact of lower wholesale revenues from DesignPac.

The 1-800-Flowers.com Consumer Floral category gross profit and gross profit margin percentage decreased by 18.4% and 110 basis points, respectively, as a result of a lower sales volume and increased promotional pricing during the early part of the quarter. During the latter part of the quarter, initiatives to reduce promotional pricing and shipping costs began to take hold, and the Company expects to see the benefits of these efforts, in the form of improved gross profit margins, beginning in the second quarter and throughout the remainder of fiscal 2010.

The BloomNet Wire Service category gross profit decreased by 3.8% over the prior year period as a result of the aforementioned decline of wholesale product revenue, while gross profit margins increased by 400 basis points, reflecting the impact of product mix and pricing initiatives.

The Gourmet Food & Gift Basket category gross profit decreased by 18.6% over the prior year period as a result of the lower wholesale revenue from DesignPac. Gross margin percentage increased by 690 basis points, reflecting the impact of the decline in lower margin DesignPac sales volume, as well as improved margins resulting from reduced promotional pricing and manufacturing efficiencies across all other businesses within the category.

During the remainder of fiscal 2010, the Company expects its gross margin percentage will improve slightly in comparison to fiscal 2009 as a result of a positive shift in product mix and anticipated gross margin improvements in most of its businesses resulting from product sourcing and supply chain initiatives, which are expected to reduce reliance on promotional activity.

Marketing and Sales Expense

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
Marketing and sales	$29,476	$32,074	(8.1%)
Percentage of net revenues	27.2%	23.7%	

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.

During the three months ended September 27, 2009, marketing and sales expense decreased by 8.1% as a result of a number of cost-reduction initiatives, including savings in catalog printing and co-mailing costs, planned reductions in customer prospecting, as well as overall reductions in advertising programs as their efficacy declines during periods of soft consumer demand and the reduction in variable costs associated with the decline in revenue. During the three months ended September 27, 2009 the Company added approximately 392,000 new E-commerce customers. Of the 625,000 total customers who placed E-commerce orders during the three months ended September 27, 2009, approximately 61.5% were repeat customers, compared to 63.0% during the prior year.

During the remainder of fiscal 2010, the Company expects that marketing and sales expense will continue to decrease in comparison to the prior year, and while varying from quarter to quarter due to the seasonal nature of the Company's business, will be consistent as a percentage of net revenues during fiscal 2010 due to the expectation of a slight decline in sales resulting from anticipated weakness in the economy through the fiscal 2010 holiday season.

Technology and Development Expense

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change

	(in thousands)		
Technology and development	$4,556	$5,063	(10.0%)
Percentage of net revenues	4.2%	3.7%	

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

During the three months ended September 27, 2009, technology and development expense decreased by 10% in comparison to the prior year period as a result of decreased labor/consulting costs as a result of re-sizing initiatives, as well

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as a reduction in the number of hosting sites and footprint. During the three months ended September 27, 2009 and September 28, 2008, the Company expended $6.3 million and $10.6 million, respectively, on technology and development, of which $1.7 million and $5.6 million, respectively, has been capitalized.

The Company believes that continued investment in technology and development is critical to attaining its strategic objectives, and expects that its spending for the remainder of fiscal 2010 will decrease both in terms of dollars spent, and as a percentage of net revenues, in comparison to the prior year.

General and Administrative Expense

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
General and administrative	$12,534	$14,054	(10.8%)
Percentage of net revenues	11.6%	10.4%	

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

General and administrative expense decreased by 10.8% during the three months ended September 27, 2009 in comparison to the prior year period as result of decreased labor costs related to the Company's re-sizing initiatives implemented during fiscal 2009.

As a result of cost reduction initiatives, the Company expects that its general and administrative expenses for fiscal 2010 will decrease slightly as a percentage of net revenues in comparison to the prior year.

Depreciation and Amortization Expense

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		

Depreciation and amortization	$4,946	$5,075	(2.5%)
Percentage of net revenues	4.6%	3.7%	

Depreciation and amortization expense decreased by 2.5% during the three months ended September 27, 2009 in comparison to the prior year as a result of a reduction in capital spending and reduced amortization associated with amortizable intangibles that were written down in the prior year.

The Company believes that continued investment in its infrastructure, primarily in the areas of technology and development, including the improvement of the technology platforms, are critical to attaining its strategic objectives. However, the Company is committed to reducing its capital expenditures and expects that depreciation and amortization for fiscal 2010 will decrease in comparison to the prior year.

Other Income (Expense)

	Three Months Ended		
	September 27, 2009	September 28, 2008	% Change
	(in thousands)		
Interest income	$14	$89	(84.3%)
Interest expense	(1,546)	(1,158)	(33.5%)
Other	2	4	(50.0%)
	$(1,530)	$(1,065)	(43.7%)

Other income (expense) consists primarily of interest expense and amortization of deferred financing costs, primarily attributable to the Company's long-term debt and revolving line of credit, partially offset by income earned on the Company's available cash balances.

Net borrowing costs increased during the three months ended September 27, 2009, in comparison to the prior year period, primarily as a result of higher interest rates and financing costs associated with the Company's credit facility (as defined below).

In order to fund the increase in working capital requirements associated with DesignPac, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility, effective March 29, 2009, included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the

Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment.

During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

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

Income Taxes

During the three months ended September 27, 2009 and September 28, 2008, the Company recorded an income tax benefit from continuing operations of $3.6 million and $2.0 million, respectively. The Company's effective tax rates from continuing operations for the three months ended September 27, 2009 and September 28, 2008 was 39.0% and 39.3%, respectively. These effective rates differed from the U.S. federal statutory rate of 35% primarily due to state income taxes, partially offset by various tax credits.

Discontinued Operations

During the fourth quarter of fiscal 2009, the Company made the strategic decision to divest its Home & Children's Gifts business segment to focus on its core Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets categories. Consequently, the Company has classified the results of operations of its Home & Children's Gifts segment as discontinued operations for all periods presented.

Results for discontinued operations are as follows:

	Three Months Ended		
Discontinued operations:	September 27 2009	September 28, 2008	% C
	(in thousands)		
Net revenues from discontinued operations	$17,354	$22,595	(2
Gross profit from discontinued operations	7,548	9,626	(2
Operating loss from discontinued operations	(2,638)	(3,617)	2
Loss from discontinued operations	(1,609)	(2,186)	2

The Home & Children's Gifts category includes revenues from Plow & Hearth, Wind & Weather, HearthSong and Magic Cabin brands. Revenue is derived from the sale of home decor and children's gifts through its E-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Plow & Hearth brand.

During the three months ended September 27, 2009 net revenues from discontinued operations decreased by 23.2% as a result of lower E-commerce sales volume, due to a combination of reduced consumer spending, particularly in the home decor product category, and a planned reduction in catalog circulation. Further contributing to the revenue decline were lower retail store sales, compared to the same period of the prior year, due to a store closure and decline in customer traffic.

Gross profit from discontinued operations during the three months ended September 27, 2009 decreased by 21.6% over the prior year period as a result of the aforementioned revenue declines, while gross margin percentage improved 90 basis points to 43.5%, benefiting from enhanced product sourcing and shipping initiatives.

As a result of the decline in revenues, offset by the improved gross margins and reduced operating expenses of approximately $3.0 million, primarily related to reduced catalog circulation costs, operating loss of discontinued operations improved $1.0 million to $(2.6) million.

Liquidity and Capital Resources

At September 27, 2009, the Company had working capital of $33.6 million, including cash and equivalents of $3.0 million, compared to working capital of $43.7 million, including cash and equivalents of $29.6 million, at June 28, 2009.

Net cash used in operating activities of $47.1 million for the quarter ended September 27, 2009 was primarily related to the net loss for the quarter as well as seasonal changes in working capital, including increases in inventory and receivables related to the upcoming holiday season. Net cash used in operating activities includes cash used in operating activities of discontinued operations of $1.7 million.

Net cash used in investing activities of $2.9 million for the quarter ended September 27, 2009 was attributable to capital expenditures, primarily related to the Company's technology infrastructure.

Net cash provided by financing activities of $23.4 million for the quarter ended September 27, 2009 was primarily from revolving credit borrowings required to fund seasonal working capital needs, net of the repayment of bank borrowings on outstanding debt and long-term capital lease obligations. The Company expects that all borrowings under its revolver, which amounted to $29.0 million at September 27, 2009, will be repaid by the end of its fiscal second quarter.

In order to fund the increase in working capital requirements associated with DesignPac, on August 28, 2008, the Company entered into a $293.0 million Amended and Restated Credit Agreement with JPMorgan Chase Bank N.A., as administrative agent, and a group of lenders (the "2008 Credit Facility"). The 2008 Credit Facility provided for borrowings of up to $293.0 million, including: (i) a $165.0 million revolving credit commitment, (ii) $60.0 million of new term loan debt, and (iii) $68.0 million of existing term loan debt associated with the Company's previous credit facility.

On April 14, 2009, the Company entered into an amendment to the 2008 Credit Facility (the "Amended 2008 Credit Facility"). The Amended 2008 Credit Facility, effective March 29, 2009, included a prepayment of $20.0 million, reducing the Company's outstanding term loans under the facility to $92.4 million upon closing. In addition, the amendment reduced the Company's revolving credit line from $165.0 million to a seasonally adjusted line ranging from $75.0 to $125.0 million. Outstanding amounts under the Amended 2008 Credit Facility will bear interest at the Company's option at either: (i) LIBOR plus a defined margin, or (ii) the agent bank's prime rate plus a margin. The applicable margins for the Company's term loans and revolving credit facility will range from 3.00% to 4.50% for LIBOR loans and 2.00% to 3.50% for ABR loans with pricing based upon the Company's leverage ratio. The repayment terms of the existing term loans were reduced, on a pro-rata basis, for the $20.0 million prepayment.

During March 2009, the Company obtained a $5.0 million equipment lease line of credit with a bank and a $5.0 million equipment lease line of credit with a vendor. Interest under these lines, which both mature in April 2012, range from 2.99% to 7.48%. The borrowings are payable in 36 monthly installments of principal and interest commencing in April 2009.

On January 21, 2008, the Company's Board of Directors authorized an increase to its stock repurchase plan which, when added to the funds remaining on its earlier authorization, increased the amount available for repurchase to $15.0 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. As of September 27, 2009, $13.2 million remains authorized but unused.

At September 27, 2009, the Company's contractual obligations from continuing operations consist of:

	Payments due by period (in thousands)			
	Total	Less than 1 year	1 - 2 years	3 - 5 years
Long-term debt, including interest	$117,502	$54,474	$55,389	$7,
Capital lease obligations, including interest	5,651	2,264	3,381	
Operating lease obligations	48,678	11,441	19,078	13,
Sublease obligations	7,624	2,455	3,406	1,
Marketing agreement	6,654	3,154	3,500	
Purchase commitments (*)	29,739	29,739	-	
Total	$215,848	$103,527	$84,754	$22,

(*) Purchase commitments consist primarily of inventory, equipment purchase orders and online marketing agreements 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, less discounts, returns and credits. Net revenues are recognized upon product shipment. Shipping terms are FOB shipping point. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and product sales are recognized upon product shipment with shipping terms of FOB shipping point.

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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. 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

The Company states inventory at the lower of cost or market. In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare that with inventory levels. It is possible that changes in consumer demand could cause a reduction in the net realizable value of inventory.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired and is evaluated annually for impairment. The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years.

Goodwill is reviewed for impairment utilizing a two-step process.The first step requires us to compare the fair value of each reporting unit to the respective carrying value, which includes goodwill.If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired.If the carrying value is greater than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of the goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities.If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The impairment test process requires valuation of the respective reporting unit, which we estimate using a discounted five year forecasted cash flow with a year-five residual value based upon a comparative market Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) multiple. The assumptions about future cash flows and growth rates are based on each reporting unit's long-term forecast and are subject to review and approval by senior management. The market EBITDA multiple is based on market transactions in the reporting unit's industry. The discount rate is based on our weighted average cost of capital, which the Company believes approximates the rate from a market participant's perspective. The estimated fair value could be impacted by changes in interest rates, growth rates, costs, pricing, capital expenditures and market conditions.

Impairment testing during fiscal 2009 indicated the fair value of our Home & Children's Gifts and Gourmet Food & Gift Basket reporting units was less than their respective carrying values, and after performing step two, the Company recorded impairment charges in both reporting units. Although our businesses continue to be impacted by the economic downturn, the Company's market capitalization remains above its book value and evaluations of our reporting units indicated that it was unlikely the fair value of any reporting unit fell below its carrying value. Accordingly, we have not performed an interim goodwill impairment test subsequent to the fiscal 2009 annual impairment test.

A prolonged economic downturn resulting in lower EBITDA multiples, lower long-term growth rates and reduced long-term profitability may reduce the fair value of our reporting units. Industry specific events or circumstances that have a negative impact to the valuation assumptions may also reduce the fair value of our reporting units. Should such events occur and it becomes more likely than not that a reporting unit's fair value has fallen below its carrying value, we will perform an interim goodwill impairment test(s), in addition to the annual impairment test. Future impairment tests may result in a goodwill impairment, depending on the outcome of both step one and step two of the impairment review process. A goodwill impairment would be reported as a non-cash charge to earnings.

Capitalized Software

The carrying value of capitalized software, both purchased and internally developed, is periodically reviewed for potential impairment indicators. Future events could cause the Company to conclude that impairment indicators exist and that capitalized software is impaired.

Stock-based Compensation

The FASB authoritative guidance requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. The Company determines the fair value of stock options issued by using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behavior. Expected volatilities are based on historical volatility of the Company's stock price. The dividend yield is based on historical experience and future expectations. The risk-free interest rate is derived from the US Treasury yield curve in effect at the time of grant. The Black-Scholes model also incorporates expected forfeiture rates, based on historical behavior. Determining these assumptions are subjective and complex, and therefore, a change in the assumptions utilized could impact the calculation of the fair value of the Company's stock options.

Income Taxes

The Company has established deferred income 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 has recognized as a deferred tax asset the tax benefits associated with losses related to operations, which are expected to result in a future tax benefit. Realization of this deferred tax asset assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that we consider in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more-likely-than-not to be sustained upon examination by taxing authorities. To the extent that the Company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected.

Recent Accounting Pronouncements

In June 2009, the FASB issued authoritative guidance to establish the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The Codification, which changes the referencing of financial standards, supersedes current authoritative guidance and is effective for the Company's interim reporting for the quarter ended on September 27, 2009. The Codification is not intended to change or alter existing GAAP and is not expected to result in a change in accounting practice for the Company.

In April 2009, the FASB issued authoritative guidance for business combinations that amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance requires such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with authoritative guidance for contingencies. The guidance became effective for the Company's business combinations for which the acquisition date is on or after June 29, 2009. The Company did not complete any business combinations during the three months ended September 27, 2009, and the effect on future periods will depend on the nature and significance of business combinations subject to this guidance.

In April 2009, the FASB issued authoritative guidance to increase the frequency of fair value disclosures of financial instruments, thereby enhancing consistency in financial reporting. The guidance relates to fair value disclosures for any financial instruments that are not currently reflected on a company's balance sheet at fair value. Prior to the effective date of this guidance, fair values for these assets and liabilities have only been disclosed once a year. The guidance now requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The disclosure requirement under this guidance is effective for the Company's interim reporting period for the three months ended on September 27, 2009. The implementation did not have a material impact on the Company's financial position, results of operations or cash flows as it is disclosure-only in nature.

In April 2008, the FASB issued authoritative guidance for general intangibles other than goodwill, amending factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This guidance is effective for the Company for intangible assets acquired on or after June 29, 2009. The adoption did not have a material impact on the Company's results of operations, financial position or cash flows.

Forward Looking Information and Factors that May Affect Future Results

Our disclosure and analysis in this report contain forward-looking information about the Company's financial results and estimates, business prospects that involve substantial risks and uncertainties. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance, new products and product categories, the outcome of contingencies, such as legal proceedings, and financial results. Among the factors that could cause actual results to differ materially are the following:

- the Company's ability:
  - to achieve revenue and profitability;
  - to reduce costs and enhance its profit margins;
  - to manage the increased seasonality of its business;
  - to effectively integrate and grow acquired companies;
  - to cost effectively acquire and retain customers;
  - to compete against existing and new competitors;
  - to manage expenses associated with sales and marketing and necessary general and administrative and technology investments;
  - to cost efficiently manage inventories; and
  - to leverage its operating infrastructure;
- general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products; and
- competition from existing and potential new competitors.

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 risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they 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 Forms 10-Q, 8-K and 10-K reports to the Securities and Exchange Commission. Our Annual Report on Form 10-K filing for the fiscal year ended June 28, 2009 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I, Item 1A, of that filing under the heading "Cautionary Statements Under the Private Securities Litigation Reform Act of

1995". We incorporate that section of that Form 10-K in this filing and investors should refer to it. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds and investment grade corporate and U.S. government securities, as well as from outstanding debt. As of September 27, 2009, the Company's outstanding debt, including current maturities, approximated $116.3 million.

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

In July 2009, the Company entered into a $45.0 million notional amount swap agreement that exchanges a variable interest rate (LIBOR) for a 1.92% fixed rate of interest over the term of the agreement. This swap matures on July 25, 2012. The Company has designated this swap as a cash flow hedge of the interest rate risk attributable to forecasted variable interest (LIBOR) payments. The effective portion of the after tax fair value gains or losses on these swaps is included as a component of accumulated other comprehensive loss. If in the future the interest rate swap agreements were determined to be ineffective or were terminated before the contractual termination dates, or if it became probable that the hedged variable cash flows associated with the variable-rate borrowings would stop, the Company would be required to reclassify into earnings all or a portion of the unrealized losses on cash flow hedges included in accumulated other comprehensive income (loss).

Inclusive of the impact of the Company's interest rate swap agreement, each 50 basis point change in interest rates would have a corresponding effect on our interest expense of approximately $0.1 million during the three months ended September 27, 2009.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, these disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in the Company's periodic reports filed with the SEC.

There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended September 27, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. The Company is not aware of any such legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, consolidated financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS.

There were no material changes to the Company's risk factors as discussed in Item 1A-Risk Factors in the Company's Annual Report on Form 10-K for the year ended June 28, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company had no purchases of common stock during the three months ended September 27, 2009 which includes the period June 29, 2009 through September 27, 2009.

On January 21, 2008, the Company's Board of Directors authorized an increase to its stock repurchase plan which, when added to the $8.7 million remaining on its earlier authorization, increased the amount available for repurchase to $15.0 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. As of September 27, 2009, $13.2 million remains authorized but unused.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certifications 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

1-800-FLOWERS.COM, Inc.

(Registrant)

Date: November 6, 2009

/s/ James F. McCann

James F. McCann
Chief Executive Officer and
Chairman of the Board of Directors

Date: November 6, 2009

/s/ William E. Shea

William E. Shea
Senior Vice President of Finance
and Administration and Chief
Financial Officer