1 800 FLOWERS COM INC
Form 10-Q
November 06, 2015
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, 2015

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

34,878,888

(Number of shares of Class A common stock outstanding as of November 3, 2015)

29,983,004

(Number of shares of Class B common stock outstanding as of November 3, 2015)

1-800-FLOWERS.COM, Inc.

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ITEM 1. – CONSOLIDATED FINANCIAL STATEMENTS

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

Condensed Consolidated Balance Sheets

(in thousands)

	September 27, 2015 *(unaudited)*	**June 28, 2015**
Assets		
Current assets:		
Cash and cash equivalents	$ 1,987	$ 27,940
Trade receivables, net	28,889	16,191
Insurance receivable	25,000	2,979
Inventories	188,034	93,163
Deferred tax assets	5,483	4,873
Prepaid and other	19,683	14,822
Total current assets	269,076	159,968
Property, plant and equipment, net	167,777	170,100
Goodwill	76,957	77,097
Other intangibles, net	80,877	82,125
Other assets	10,464	12,656
Total assets	$ 605,151	$ 501,946
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 36,816	$ 35,425
Accrued expenses	58,867	73,639
Current debt	143,324	14,543
Total current liabilities	239,007	123,607
Long-term debt	114,000	117,563
Deferred tax liabilities	42,550	42,680
Other liabilities	7,813	7,840
Total liabilities	403,370	291,690
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	200,839	208,449
Noncontrolling interest in subsidiary	942	1,807

Total equity	201,781	210,256
Total liabilities and equity	$ 605,151	$ 501,946

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three Months Ended	
	September 27,	**September 28,**
	2015	**2014**
Net revenues	$ 156,041	$ 126,703
Cost of revenues	88,532	73,390
Gross profit	67,509	53,313
Operating expenses:		
Marketing and sales	52,526	35,572
Technology and development	9,311	5,600
General and administrative	19,971	13,668
Depreciation and amortization	7,972	5,101
Total operating expenses	89,780	59,941
Operating loss	(22,271)	(6,628)
Interest expense, net	1,891	320
Other (income) expense, net	(15,538)	433
Loss before income taxes	(8,624)	(7,381)
Income tax benefit	(3,188)	(2,803)
Net loss	(5,436)	(4,578)
Less: Net loss attributable to noncontrolling interest	(952)	(328)
Net loss attributable to 1-800-FLOWERS.COM, Inc.	$ (4,484)	$ (4,250)
Basic and diluted net loss per common share attributable to 1-800-FLOWERS.COM, Inc.:	$ (0.07)	$ (0.07)
Basic and diluted weighted average shares used in the calculation of net loss per common share	64,825	63,948

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)

(unaudited)

	Three Months Ended September 27, 2015	September 28, 2014
Net loss	$ (5,436)	$ (4,578)
Other comprehensive income/(loss) (currency translation)	158	(61)
Comprehensive loss	(5,278)	(4,639)
Less:		
Net loss attributable to noncontrolling interest	(952)	(328)
Other comprehensive income (loss) (currency translation) attributable to noncontrolling interest	87	(41)
Comprehensive net loss attributable to noncontrolling interest	(865)	(369)
Comprehensive net loss attributable to 1-800-FLOWERS.COM, Inc.	$ (4,413)	$ (4,270)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three months ended September 27, 2015	September 28, 2014
Operating activities:		
Net loss	$(5,436)	$(4,578)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	7,972	5,101
Amortization of deferred financing costs	414	77
Deferred income taxes	(740)	(502)
Foreign equity method investment impairment	1,728	
iFlorist assets impairment	1,879	
Fire related gain	(19,611)	
Bad debt expense	454	359
Stock-based compensation	1,518	1,267
Other non-cash items	181	70
Changes in operating items:		
Trade receivables	(13,152)	(11,881)
Insurance receivable	(449)	
Inventories	(94,756)	(37,437)
Prepaid and other	(4,861)	(1,130)
Accounts payable and accrued expenses	(15,342)	(10,256)
Other assets	(75)	(197)
Other liabilities	45	(423)
Net cash used in operating activities	(140,231)	(59,530)
Investing activities:		
Capital expenditures	(6,224)	(4,473)
Other, net	-	152
Net cash used in investing activities	(6,224)	(4,321)
Financing activities:		
Acquisition of treasury stock	(4,717)	(1,141)
Proceeds from exercise of employee stock options	1	-
Proceeds from bank borrowings	141,903	62,000
Repayment of notes payable and bank borrowings	(16,685)	(53)
Net cash provided by financing activities	120,502	60,806
Net change in cash and cash equivalents	(25,953)	(3,045)

Cash and cash equivalents:		
Beginning of period	27,940	5,203
End of period	$ 1,987	$ 2,158

See accompanying Notes to Condensed Consolidated Financial Statements.

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Note 1 – Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by 1-800-FLOWERS.COM, Inc. and subsidiaries (the "Company") in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and notes required by generally accepted accounting principles 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 month period ended September 27, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending July 3, 2016. For further information, refer to 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, 2015.

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 Holdings, Inc. ("Harry & David") on September 30, 2014, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 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 and Administrative Professionals Week, revenues also rise during the Company's fiscal third and fourth quarters in comparison to its fiscal first quarter. The Easter Holiday, which was on April 5th in fiscal 2015, falls on March 27th in fiscal 2016. As a result of the timing of Easter, during fiscal 2016, all revenue and EBITDA associated with the Easter Holiday will shift into the Company's fiscal third quarter.

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.

Recent Accounting Pronouncements

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

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This amended guidance will enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Expanded disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. This guidance will be effective for the Company's fiscal year ending June 30, 2019 and may be applied retrospectively. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Reclassifications

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

Note 2 – Net Loss Per Common Share

Basic net loss per common share attributable to 1-800-FLOWERS.COM, Inc. is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share attributable to 1-800-FLOWERS.COM, Inc. is computed using the weighted-average number of common shares outstanding during the period, and excludes the dilutive potential common shares (consisting of employee stock options and unvested restricted stock awards), as their inclusion would be antidilutive. As a result of the net loss attributable to 1-800-FLOWERS.COM, Inc. for the three months ended September 27, 2015 and September 28, 2014, there is no dilutive impact to the net loss per share calculation for the respective periods.

Note 3 – Stock-Based Compensation

The Company has a Long Term Incentive and Share Award Plan, which is more fully described in Note 12 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2015, that provides for the grant to eligible employees, consultants and directors of stock options, restricted shares, 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, 2015	**September 28, 2014**
	(in thousands)	
Stock options	$90	$ 110

Restricted stock	1,428	1,157
Total	1,518	1,267
Deferred income tax benefit	561	481
Stock-based compensation expense, net	$957	$ 786

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

	Three Months Ended	
	September 27,	**September 28,**
	2015	**2014**
	(in thousands)	
Marketing and sales	$607	$ 317
Technology and development	228	63
General and administrative	683	887
Total	$1,518	$ 1,267

The following table summarizes stock option activity during the three months ended September 27, 2015:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (000s)
Outstanding at June 28, 2015	3,345,146	$ 2.93		
Granted	0	$ -		
Exercised	(0)	$ -		
Forfeited	(50,000)	$ 8.15		
Outstanding at September 27, 2015	3,295,146	$ 2.85	3.9	$ 19,460
Options vested or expected to vest at September 27, 2015	3,208,768	$ 2.86	3.9	$ 18,928
Exercisable at September 27, 2015	2,099,746	$ 3.04	2.9	$ 11,994

As of September 27, 2015, the total future compensation cost related to non-vested options, not yet recognized in the statement of income, was $1.5 million and the weighted average period over which these awards are expected to be recognized was 3.6 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 and, in certain cases, holding periods (Restricted Stock). The following table summarizes the activity of non-vested restricted stock awards during the three months ended September 27, 2015:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at June 28, 2015	2,342,052	$ 5.62
Granted	10,000	$ 8.40
Vested	(3,832)	$ 5.42
Forfeited	(16,275)	7.55
Non-vested at September 27, 2015	2,331,945	$ 5.62

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of September 27, 2015, there was $6.6 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over the weighted-average remaining period of 2.3 years.

Note 4 – Acquisitions and Dispositions

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 *(in thousands)*
Current assets	$ 126,268
Intangible assets	41,827
Goodwill	16,042
Property, plant and equipment	105,079
Other assets	(131)
Total assets acquired	289,085
Current liabilities, including short-term debt	104,513
Deferred tax liabilities	42,048
Other liabilities assumed	24
Total liabilities assumed	146,585
Net assets acquired	$ 142,500

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

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

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

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

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

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

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

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

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

Acquisition of Fannie May retail stores

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

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

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

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

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

Disposition of Colonial Gifts Limited

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

During the quarter ended September 27, 2015, the Company's management committed to a plan to sell its iFlorist business in order to focus its internal resources and capital on integrating Harry & David and achieving expected synergy savings. On October 28, 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.

As a result of the above, the Company determined that the iFlorist business (disposal group) met the held for sale criteria, as prescribed by FASB ASC 360-10-45-9, as of September 27, 2015. As a result, the Company compared iFlorist's carrying amount ($3.4 million) to its fair value less cost to sell ($1.5 million), and recorded an impairment charge of $1.9 million during the period ended September 27, 2015. The Company recorded this impairment charge within "Other (income) expense, net" in the condensed consolidated statements of operations. Subsequent to the impairment charge, the remaining assets of iFlorist included in the September 27, 2015 condensed consolidated balance sheets is as follows:

	iFlorist – Held for sale assets * (*in thousands*)
Assets:	
Inventories	$ 51
Prepaid and other	84
Property, plant and equipment, net	951
Other intangibles, net	433
Total assets	$ 1,519

* Note: the held for sale assets in the condensed consolidated balance sheets were not segregated as their balance was deemed to be immaterial.

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, crops, packaging supplies, raw material ingredients for manufactured products and associated manufacturing labor and is classified as follows:

	September 27, 2015	June 28, 2015
	(in thousands)	
Finished goods	$112,667	$43,254
Work-in-process	19,604	16,020
Raw materials	55,763	33,889
	$188,034	$93,163

Note 6 – Goodwill and Intangible Assets

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

	1-800-Flowers.com Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets (1)	Total
	(in thousands)			
Balance at June 28, 2015	$17,582	$ -	$59,515	$77,097
Other	(140)	-	-	(140)
Balance at September 27, 2015	$17,442	$ -	$59,515	$76,957

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

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

		September 27, 2015			**June 28, 2015**		
	Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
			(in thousands)				
Intangible assets with determinable lives							
Investment in licenses	14 - 16	$ 7,420	$ 5,753	$ 1,667	$ 7,420	$ 5,727	$ 1,693
Customer lists	3 - 10	21,480	14,893	6,587	21,815	14,595	7,220
Other	5 - 14	3,665	2,616	1,049	3,665	2,597	1,068
		32,565	23,262	9,303	32,900	22,919	9,981
Trademarks with indefinite lives		71,574	-	71,574	72,144	-	72,144
Total identifiable intangible assets		$ 104,139	$ 23,262	$ 80,877	$ 105,044	$ 22,919	$ 82,125

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Future estimated amortization expense is as follows: remainder of fiscal 2016 - $1.5 million, fiscal 2017 - $1.5 million, fiscal 2018 - $1.3 million, fiscal 2019 - $0.7 million, fiscal 2020 - $0.6 million and thereafter - $3.7 million.

Note 7 – Investments

The Company has certain investments in non-marketable equity instruments of private companies. The Company accounts for these investments using the equity method if they provide the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The Company records equity method investments initially at cost, and adjusts the carrying amount to reflect the Company's share of the earnings or losses of the investee.

The Company's equity method investments are comprised of a 32% interest in Flores Online, a Sao Paulo, Brazil based internet floral and gift retailer, that the Company made on May 31, 2012. The book value of this investment was $1.2 million as of September 27, 2015 and $2.9 million as of June 28, 2015, and is included in Other assets within the condensed consolidated balance sheets. The Company's equity in the net loss of Flores Online for the quarters ended September 27, 2015 and September 28, 2014 was less than $0.1 million. During the quarter ended September 27, 2015, the Company determined that the fair value of its investment in Flores Online ($1.2 million) was below its carrying value ($2.9 million) 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 "Other (income) expense, net" in the condensed consolidated statements of operations.

Investments in non-marketable equity instruments of private companies, where the Company does not possess the ability to exercise significant influence, are accounted for under the cost method. Cost method investments are originally recorded at cost, and are included within Other assets in the Company's condensed consolidated balance sheets. The aggregate carrying amount of the Company's cost method investments was $0.7 million as of September 27, 2015 and June 28, 2015. In addition, the Company had notes receivable from a company it maintains an investment in of $0.3 million as of September 27, 2015 and June 28, 2015.

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).

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.

Note 8 – Debt

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

	September 27, 2015	**June 28, 2015**
	(in thousands)	
Revolver (1)	$128,903	$-
Term Loan (1)	128,250	131,813
Bank loan (2)	171	293
Total debt	257,324	132,106
Less: current debt	143,324	14,543
Long-term debt	$114,000	$117,563

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

The 2014 Credit Facility requires that while any borrowings are outstanding the Company comply with certain financial and non-financial covenants, including the maintenance of certain financial ratios. The Company was in compliance with these covenants as of September 27, 2015. Outstanding amounts under the 2014 Credit Facility bear interest at the Company's option at either: (i) LIBOR, plus a spread of 175 to 250 basis points, as determined by the Company's leverage ratio, or (ii) ABR, plus a spread of 75 to 150 basis points. The 2014 Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Future principal payments under the term loan are as follows: $10.7 million – 2016, $19.6 million – 2017, $21.4 million – 2018, $26.7 million – 2019 and $49.9 million– 2020.

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

Note 9 – Property, Plant and Equipment

	September 27, 2015	**June 28, 2015**
	(in thousands)	
Land	$31,077	$31,077
Orchards in production and land improvements	9,048	9,028
Building and building improvements	55,657	55,121
Leasehold improvements	19,558	19,459
Production equipment and furniture and fixtures	65,450	63,132
Computer and telecommunication equipment	57,486	56,582
Software	151,311	150,695
Capital projects in progress	6,556	7,335
	396,143	392,429
Accumulated depreciation and amortization		