RGC RESOURCES INC
Form 10-Q
February 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For Quarterly Period Ended December 31, 2015
Commission File Number 000-26591

RGC Resources, Inc.(Exact name of Registrant as Specified in its Charter)

VIRGINIA (State or Other Jurisdiction of Incorporation or Organization)	54-1909697 (I.R.S. Employer Identification No.)
519 Kimball Ave., N.E., Roanoke, VA (Address of Principal Executive Offices)	24016 (Zip Code)

(540) 777-4427
(Registrant’s Telephone Number, Including Area Code)
None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 definition of “large accelerated filer,” “accelerated-filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý
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 ý

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2016
Common Stock, $5 Par Value	4,752,840

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited December 31, 2015	September 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$887,442	$985,234
Accounts receivable (less allowance for uncollectibles of $164,115 and $52,721, respectively)	7,991,354	3,196,573
Materials and supplies	974,320	968,108
Gas in storage	7,119,999	8,160,498
Prepaid income taxes	2,235,203	1,657,066
Other	1,896,510	1,182,343
Total current assets	21,104,828	16,149,822
UTILITY PROPERTY:		
In service	171,816,523	168,033,032
Accumulated depreciation and amortization	(54,109,037)	(53,307,079)
In service, net	117,707,486	114,725,953
Construction work in progress	3,601,436	3,903,599
Utility plant, net	121,308,922	118,629,552
OTHER ASSETS:		
Regulatory assets	10,968,628	10,923,243
Investment in unconsolidated affiliate	1,400,416	—
Other	121,861	144,577
Total other assets	12,490,905	11,067,820
TOTAL ASSETS	$154,904,655	$145,847,194

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited December 31, 2015	September 30, 2015
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings under line-of-credit	$15,011,551	$9,340,997
Dividends payable	962,450	912,995
Accounts payable	4,191,473	5,141,677
Customer credit balances	1,719,131	1,560,351
Customer deposits	1,711,338	1,579,441
Accrued expenses	1,846,908	2,766,097
Over-recovery of gas costs	2,171,856	1,901,426
Total current liabilities	27,614,707	23,202,984
LONG-TERM DEBT:		
Principal amount	32,112,200	30,500,000
Less unamortized debt issuance costs	(257,915)	(183,427)
Long-term debt net of unamortized debt issuance costs	31,854,285	30,316,573
DEFERRED CREDITS AND OTHER LIABILITIES:		
Asset retirement obligations	5,342,179	5,295,868
Regulatory cost of retirement obligations	9,040,523	8,885,486
Benefit plan liabilities	10,585,174	10,685,261
Deferred income taxes	16,403,716	14,620,031
Total deferred credits and other liabilities	41,371,592	39,486,646
STOCKHOLDERS' EQUITY:		
Common stock, $5 par value; authorized 10,000,000 shares; issued and outstanding 4,751,689 and 4,741,498, respectively	23,758,445	23,707,490
Preferred stock, no par, authorized 5,000,000 shares; no shares issued and outstanding	—	—
Capital in excess of par value	8,825,166	8,647,669
Retained earnings	23,732,716	22,772,377
Accumulated other comprehensive loss	(2,252,256)	(2,286,545)
Total stockholders' equity	54,064,071	52,840,991
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$154,904,655	$145,847,194

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014
UNAUDITED

	Three Months Ended December 31,	
	2015	2014
OPERATING REVENUES:		
Gas utilities	$15,785,849	$20,998,278
Other	224,207	251,787
Total operating revenues	16,010,056	21,250,065
COST OF SALES:		
Gas utilities	7,179,834	12,514,594
Other	92,106	113,328
Total cost of sales	7,271,940	12,627,922
GROSS MARGIN	8,738,116	8,622,143
OTHER OPERATING EXPENSES:		
Operations and maintenance	3,431,233	3,424,652
General taxes	423,987	405,510
Depreciation and amortization	1,384,844	1,277,629
Total other operating expenses	5,240,064	5,107,791
OPERATING INCOME	3,498,052	3,514,352
Equity in earnings of unconsolidated affiliate	21,537	—
Other income (expense), net	(3,873)	(5,879)
Interest expense	408,356	397,067
INCOME BEFORE INCOME TAXES	3,107,360	3,111,406
INCOME TAX EXPENSE	1,184,570	1,187,030
NET INCOME	$1,922,790	$1,924,376
BASIC EARNINGS PER COMMON SHARE	$0.40	$0.41
DILUTED EARNINGS PER COMMON SHARE	$0.40	$0.41
DIVIDENDS DECLARED PER COMMON SHARE	$0.2025	$0.1925

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014
UNAUDITED

	Three Months Ended December 31,	
	2015	2014
NET INCOME	$1,922,790	$1,924,376
Other comprehensive income, net of tax:		
Defined benefit plans	34,289	9,340
OTHER COMPREHENSIVE INCOME, NET OF TAX	34,289	9,340
COMPREHENSIVE INCOME	$1,957,079	$1,933,716

See notes to condensed consolidated financial statements.

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RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014
UNAUDITED

	Three Months Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,922,790	$1,924,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,415,075	1,305,693
Cost of removal of utility plant, net	(115,565)	(92,658)
Stock option grants	10,773	13,940
Equity in earnings of unconsolidated affiliate	(21,537)	—
Changes in assets and liabilities which used cash, exclusive of changes and noncash transactions shown separately	(4,522,687)	(4,566,369)
Net cash used in operating activities	(1,311,151)	(1,415,018)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant and nonutility property	(3,918,432)	(4,377,176)
Investment in unconsolidated affiliate	(1,378,879)	—
Proceeds from disposal of equipment	134	2,282
Net cash used in investing activities	(5,297,177)	(4,374,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	1,612,200	—
Borrowings under line-of-credit agreement	12,506,724	13,602,687
Repayments under line-of-credit agreement	(6,836,170)	(7,123,800)
Debt issuance expenses	(76,901)	—
Proceeds from issuance of stock (10,191 and 1,698 shares, respectively)	217,679	34,533
Cash dividends paid	(912,996)	(873,326)
Net cash provided by financing activities	6,510,536	5,640,094
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(97,792)	(149,818)
BEGINNING CASH AND CASH EQUIVALENTS	985,234	849,757
ENDING CASH AND CASH EQUIVALENTS	$887,442	$699,939
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$690,228	$296,086
Income taxes paid	—	—

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. Basis of Presentation

RGC Resources, Inc. is an energy services company primarily engaged in the sale and distribution of natural gas. The consolidated financial statements include the accounts of RGC Resources, Inc. ("Resources" or the "Company") and its wholly owned subsidiaries: Roanoke Gas Company; Diversified Energy Company; RGC Ventures of Virginia, Inc.; and RGC Midstream, LLC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly Resources financial position as of December 31, 2015 and the results of its operations, cash flows and comprehensive income for the three months ended December 31, 2015 and 2014. The results of operations for the three months ended December 31, 2015 are not indicative of the results to be expected for the fiscal year ending September 30, 2016 as quarterly earnings are affected by the highly seasonal nature of the business and weather conditions generally result in greater earnings during the winter months.

The unaudited condensed consolidated interim financial statements and condensed notes are presented as permitted under the rules and regulations of the Securities and Exchange Commission. Pursuant to those rules, certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures made are adequate to make the information not misleading. Therefore, the condensed consolidated financial statements and condensed notes should be read in conjunction with the financial statements and notes contained in the Company’s Form 10-K for the year ended September 30, 2015. The September 30, 2015 balance sheet was included in the Company’s audited financial statements included in Form 10-K.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company’s significant accounting policies are described in Note 1 to the consolidated financial statements in Form 10-K for the year ended September 30, 2015. Newly adopted and newly issued accounting standards are discussed below.

Recently Issued Accounting Standards

In May 2014, the FASB issued guidance under FASB ASC No. 606 - Revenue from Contracts with Customers that affects any entity that enters into contracts with customers for the transfer of goods or services or transfer of non-financial assets. This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when, or as, the entity satisfies the performance obligation. The new guidance was effective for the Company for the annual reporting period ending September 30, 2018 and interim periods within that annual period. Early application was not permitted. In August 2015, the FASB issued Accounting Standards Update (ASU) 2015-14 that deferred the effective date of this guidance by one year. Therefore, the new guidance is effective for the Company for the annual reporting period ending September 30, 2019 and interim periods within that year. Management has not completed its evaluation of the new guidance. However, the Company does not currently expect the new guidance to have a material effect on its financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Company previously recognized debt issuance costs in assets and amortized those costs over the term of the debt. This guidance is effective for the Company for the annual reporting period ending September 30, 2017 and interim periods within that annual period. Early application is permitted. The Company adopted the ASU in the consolidated financial statements in Form 10-K for the year ended September 30, 2015. The adoption of this ASU did not have an effect on the Company's results of operations or cash flows; however, the unamortized balance of debt issuance costs were reclassified from assets to an offset against long-term debt. Certain deferred costs related to the early retirement of debt in 2014 are classified as regulatory assets and are not offset against debt. The changes required under this guidance are presented in the Consolidated Balance Sheets presented in the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes: Balance sheet Classification of Deferred Taxes. The ASU requires that all deferred tax assets and liabilities be presented as noncurrent and eliminates existing presentation requirements. This ASU is effective for the Company for the annual reporting period ended September 30, 2018 and interim periods within that annual period. Early application is permitted. The Company adopted this ASU for the quarter ended December 31, 2015. The Company applied the retrospective approach in adopting this ASU and reclassified $2,293,536 previously reflected as a current deferred income tax asset against the balance of the non-current deferred tax liability in the September 30, 2015 consolidated balance sheet. There was no other impact to the Company’s financial position, results of operations or cash flows.

Other accounting standards that have been issued by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

2. Rates and Regulatory Matters

The State Corporation Commission of Virginia (“SCC”) exercises regulatory authority over the natural gas operations of Roanoke Gas. Such regulation encompasses terms, conditions, and rates to be charged to customers for natural gas service; safety standards; extension of service; and accounting and depreciation.

On September 25, 2015, the Company received approval of its application for a modification to the SAVE (Steps to Advance Virginia's Energy) Plan and Rider. The original SAVE Plan filed in 2012 has been modified each year to incorporate certain changes and to include new projects that qualify for recovery under the Plan. The SAVE Rider provides a mechanism for the Company to recover the related depreciation and expenses and return on rate base of additional capital investment without the filing of a formal application for an increase in non-gas base rates.

3. Other Investments

In October 2015, the Company, through its wholly-owned subsidiary, RGC Midstream, LLC ("Midstream"), acquired a 1% equity interest in the Mountain Valley Pipeline, LLC (the “LLC”).

The LLC was established to construct and operate a natural gas pipeline originating in northern West Virginia and extending through south central Virginia. The proposed pipeline will have the capacity to transport approximately 2 million decatherms of natural gas per day. If approved by the Federal Energy Regulatory Commission, the pipeline is expected to be in service by late 2018.

The total project cost is estimated to be approximately $3.5 billion. The Company's 1% equity interest in the LLC will require a total estimated investment of approximately $35 million, by periodic capital contributions throughout the design and construction phases of the project. Midstream held an approximate $1.4 million equity method investment in the LLC at December 31, 2015. Initial funding for Midstream's investment in the LLC is provided through two unsecured Promissory Notes, each with a 5 year term.

The Company will participate in the earnings generated from the transportation of natural gas through the pipeline in proportion to its level of investment. The Company will apply the equity method to account for the transactions and activity of the investment.

The financial statement locations of the investment in the LLC are as follows:

RGC RESOURCES, INC. AND SUBSIDIARIES

Balance Sheet Location of Other Investments:	December 31, 2015	September 30, 2015
Other Assets:		
Investment in unconsolidated affiliate	$1,400,416	$—

Income Statement Location of Other Investments:	Three months ended December 31, 2015	December 31, 2014
Equity in earnings of unconsolidated affiliate	$21,537	$—

4. Short-Term Debt

The Company has an unsecured line-of-credit agreement dated March 31, 2015. The agreement has a variable interest rate based on 30-day LIBOR plus 100 basis points and an availability fee of 15 basis points applied to the unused balance. The agreement also includes multi-tiered borrowing limits to accommodate seasonal borrowing demands and minimize borrowing costs. The Company's total available borrowing limits during the term of the line-of-credit agreement range from $6,000,000 to $24,000,000. The line-of-credit agreement will expire March 31, 2016, unless extended. The Company anticipates being able to extend or replace the credit line upon expiration. As of December 31, 2015, the Company had $15,011,551 outstanding under its line-of-credit agreement.

5. Long-Term Debt

On December 29, 2015, Midstream, a wholly-owned subsidiary of Resources, entered into a Credit Agreement (the "Agreement") and related Promissory Notes (the "Notes") with Union Bank & Trust and Branch Banking & Trust (collectively, the "Banks"), under which Midstream may borrow up to a total of $25 million, over a period of 5 years, with an interest rate of 30-day LIBOR plus 160 basis points. Midstream issued the Notes to provide financing for capital contributions in respect of its 1% interest in the LLC. Coinciding with Midstream's entry into the Agreement and Notes, RGC Resources entered into a Guaranty in favor of the Banks by which it guarantees Midstream's payment and performance on the Notes.

The Agreement sets forth certain representations, warranties and covenants to which Midstream is subject, including financial covenants that limit Consolidated Long Term Indebtedness to not more than 65% of Consolidated Total Capitalization and Priority Indebtedness to not more than 15% of Consolidated Total Assets.

Interest on the Notes is due monthly with the outstanding balance on the Notes due in full on December 29, 2020. The Notes are unsecured. In accordance with the terms of the Agreement, at such point in time as Midstream has borrowed $17.5 million under the Notes, Midstream is required to provide the next $5 million towards its capital contributions to the LLC. Once Midstream has completed its $5 million in contributions, it may resume borrowing under the Notes up to the $25 million limit.

Long-term debt consists of the following:

	December 31, 2015		September 30, 2015	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Unsecured senior notes payable, at 4.26% due on September 18, 2034	$30,500,000	$181,014	$30,500,000	$183,427
	1,612,200	76,901	—	—

Unsecured term notes payable, at 30-day LIBOR plus 1.60%, due December 29, 2020				
Total	$32,112,200	$257,915	$30,500,000	$183,427

6. Other Comprehensive Income

A summary of other comprehensive income and loss is provided below:

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RGC RESOURCES, INC. AND SUBSIDIARIES

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Three Months Ended December 31, 2015			
Defined benefit plans:			
Amortization of actuarial losses	$55,268	$(20,979)	$34,289
Other comprehensive income	$55,268	$(20,979)	$34,289
Three Months Ended December 31, 2014			
Defined benefit plans:			
Amortization of actuarial losses	$15,055	$(5,715)	$9,340
Other comprehensive income	$15,055	$(5,715)	$9,340

The amortization of actuarial losses is included as a component of net periodic pension and postretirement benefit cost in operations and maintenance expense.

Reconciliation of Other Accumulated Comprehensive Income (Loss)

	Accumulated Other Comprehensive Income (Loss)
Balance at September 30, 2015	$(2,286,545)
Other comprehensive income	34,289
Balance at December 31, 2015	$(2,252,256)

7. Commitments and Contingencies

Roanoke Gas currently holds the only franchises and/or certificates of public convenience and necessity to distribute natural gas in its service area. The Company renewed the expiring franchises in December 2015 under similar terms and conditions. The new franchise agreements expire December 31, 2035. The Company's current certificates of public convenience and necessity are exclusive and are intended for perpetual duryle="MARGIN-BOTTOM: 12pt; FONT-SIZE: 10.5pt; FONT-FAMILY: 'Times New Roman', serif; TEXT-ALIGN: left; LINE-HEIGHT: 11.95pt; TEXT-INDENT: 72pt">Decisions on how the Stockholders will vote with respect to their shares of Common Stock will be made in accordance with the determination of the McCann Family Committee. The McCann Family Committee consists of Marylou McCann, Christopher G. McCann and the three children of James F. McCann and Marylou McCann, Erin Moore Lenehan, James F. McCann, III, and Matthew E. McCann (collectively, the "Sibling Members"). The McCann Family Committee generally acts by vote of a majority of the members, except in respect of a Change in Control. Voting of shares of Common Stock is to be done by a proxy. Christopher G. McCann is designated in the Stockholders' Agreement as the initial proxy.

Change in Control. The prior approval of at least 75% of the members of the McCann Family Committee is required for any transfer, assignment, pledge, encumbrance, conversion or other disposition, including, in the case of any individual Stockholder, in connection with the death of such Stockholder (a "Transfer") that will result in a Change in Control. "Change in Control" is defined as any transfer or other transaction that results in the McCann Family Group, collectively, ceasing to possess, directly or indirectly, at least 66.67% of the total voting power of the aggregate number of outstanding shares of Common Stock (including unvested restricted stock). The "McCann Family Group" is defined, collectively, as James F. McCann, Christopher G. McCann, any spouse or descendant of either of them and any trust established by any of the foregoing, the McCann Family Limited Partnership and the 1999 McCann Family Limited Partnership.

Right of First Refusal. Subject to the other transfer provisions, if a Stockholder proposes to sell any shares of Common Stock to a person other than a Permitted Transferee, the other Stockholders will have a right of first refusal to buy such shares at a price equal to fair market value or, if lower, at the price stated in the sale notice. If the other Stockholders do not elect to purchase all such shares, the members of the McCann Family Committee shall have the right to purchase the remaining shares. A "Permitted Transferee" is defined as any Stockholder; any child or further descendant of, or sibling or spouse of, James F. McCann, or any descendant of any of the foregoing, provided such individual has agreed to become a party to the Stockholders' Agreement with respect to any shares of Common Stock he or she may acquire; or any trust for the benefit of one or more Permitted Transferees provided the trustee(s) of such trust have agreed to become party to the Stockholders' Agreement with respect to any shares of the Common Stock the trust may acquire.

Transfers for No Consideration. The prior approval by a majority of the McCann Family Committee members is required for any gift or bequest by any Stockholder of shares of Class A Common Stock to anyone other than a Permitted Transferee and of shares of Class B Common Stock to anyone other than an Affiliate. "Affiliate" with respect to any Stockholder is defined as an Affiliate of the Original Shareholder who or which initially held the shares being transferred with the meaning of Article IV.C.4(c)(i) of the Third Amended and Restated Certificate of Incorporation of the Issuer, as such provision may be amended from time to time).

The Stockholders' Agreement also contains certain agreements among the parties related to the pledge of shares of Common Stock and other matters.

The foregoing summary of the Stockholders' Agreement does not purport to be complete and is qualified in its entirety by reference to the Stockholders' Agreement, which is incorporated herein by reference.

EMPLOYMENT AGREEMENTS

Each of Christopher G. McCann and James F. McCann and the Issuer are parties to Employment Agreements, made October 4, 2016 and effective as of July 4, 2016 (the “Employment Agreements”). Pursuant to the Employment Agreements, Christopher G. McCann and James F. McCann are each eligible to participate in the Issuer’s long term incentive and share award plan or such other successor plan as the Issuer may make available to its executive employees. All awards will be granted in the form of restricted shares of the Issuer’s Class A Common Stock or substantially similar restricted share units that are contingent on meeting performance goals established by the Compensation Committee of the Issuer’s Board of Directors.

Item 7 Material to Be Filed as Exhibits.

1. Joint Filing Agreement, dated July 18, 2017.
2. Powers of Attorney for each of:

Christopher G. McCann
James F. McCann
Marylou McCann
Erin Moore Lenehan
James F. McCann, III
Matthew E. McCann
Erin McCann 2005 Trust
James McCann 2005 Trust
Matthew McCann 2005 Trust
The James F. McCann 2012 Family Trust – Portion I
The James F. McCann 2012 Family Trust – Portion II
The McCann Family Limited Partnership
The 1999 McCann Family Limited Partnership
Public Flowers, Inc.
The Marylou McCann 1999 Trust u/a/d July 6, 1999

3. McCann Family Stockholders’ Agreement dated as of July 18, 2017.
4. Employment Agreement made October 4, 2016, effective as of July 4, 2016, between 1-800-FLOWERS.COM, Inc. and James F. McCann (incorporated by reference from current report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016, Exhibit 10.1).
5. Employment Agreement made October 4, 2016, effective as of July 4, 2016, between 1-800-Flowers.com, Inc. and Christopher G. McCann (incorporated by reference from current report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016, Exhibit 10.2).

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: July 18, 2017

/s/ Christopher G. McCann
Christopher G. McCann

/s/ James F. McCann
James F. McCann

ERIN McCANN 2005 TRUST

By: /s/ Marylou McCann
Name: Marylou McCann
Title: Trustee and not in her individual capacity

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

By: /s/ Erin Lenehan
Name: Erin Moore Lenehan
Title: Trustee and not in her individual capacity

JAMES McCANN 2005 TRUST

By: /s/ Marylou McCann
Name: Marylou McCann
Title: Trustee and not in her individual capacity

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

By: /s/ James McCann
Name: James F. McCann, III
Title: Trustee and not in his individual capacity

MATTHEW McCANN 2005 TRUST

By: /s/ Marylou McCann
Name: Marylou McCann
Title: Trustee and not in her individual capacity

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

By: /s/ Matthew McCann
Name: Matthew E. McCann
Title: Trustee and not in his individual capacity

THE JAMES F. McCANN 2012 FAMILY TRUST – PORTION I

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

THE JAMES F. McCANN 2012 FAMILY TRUST – PORTION II

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

THE McCANN FAMILY LIMITED PARTNERSHIP

By: /s/ Christopher G. McCann
CHRISTOPHER G. McCANN,
General Partner

THE 1999 McCANN FAMILY LIMITED PARTNERSHIP

By: Public Flowers, Inc.,
its General Partner

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: President

PUBLIC FLOWERS, INC.

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: President

THE MARYLOU McCANN 1999 TRUST U/A/D July 6, 1999

By: /s/ Christopher G. McCann
Name: Christopher G. McCann
Title: Trustee and not in his individual capacity

/s/ Marylou McCann
Marylou McCann

/s/ Erin Lenehan
Erin Moore Lenehan

/s/ James McCann
James F. McCann, III

/s/ Matthew McCann
Matthew E. McCann