E COM VENTURES INC
Form 10-K/A
June 01, 2004

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

FORM 10-K/A, AMENDMENT NO. 2

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT

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

FOR THE FISCAL YEAR ENDED JANUARY 31, 2004

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 NUMBER: 0-10714

E COM VENTURES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA	65-0977964
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
251 INTERNATIONAL PARKWAY SUNRISE, FLORIDA	33325
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (954) 335-9100

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK $.01 PAR VALUE

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

Form 10-K. |_|

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes |_| No|X|

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $8.9 million as of August 2, 2003. For purposes of the foregoing computation, all executive officers, directors and 5% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers, directors or 5% beneficial owners are, in fact, affiliates of the registrant.

The number of shares outstanding of the Registrant's common stock as of April 27, 2004: 2,740,830 shares

EXPLANATORY NOTE

This amendment number 2 to our Form 10-K is being filed to revise the description of our acquisition of perfumania.com contained in Items 6 and 7 of Part II of the Form 10-K and to incorporate information required by Items 10, 11, 12, 13 and 15 of Part III of the Form 10-K.

PART II.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below should be read in conjunction with such financial statements and related notes.

Our fiscal year ends on the Saturday closest to January 31. All references herein to fiscal years are to the calendar year in which the fiscal year begins; for example, fiscal year 2003 refers to the fiscal year that began on February 2, 2003 and ended on January 31, 2004.

	FISCAL YEAR ENDED			
	JANUARY 31, 2004	FEBRUARY 1, 2003	FEBRUARY 2, 2002	(1) FEBRUARY 3, 2001
	(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE			
STATEMENT OF OPERATIONS DATA:				
Net sales, retail division	$ 198,479	$ 199,369	$ 184,142	$ 185,371
Net sales, wholesale division	14,089	2,145	9,210	21,199
Total net sales	212,568	201,514	193,352	206,570
Gross profit, retail division	81,923	84,159	78,468	79,218
Gross profit, wholesale division	1,454	435	1,767	4,216
Total gross profit	83,377	84,594	80,235	83,434
Selling, general and administrative expenses	82,297	76,178	72,918	79,884
Provision for doubtful accounts	-	-	55	55
Change of control expenses	4,931	-	-	-

Provision for receivables from affiliate	-	1,961	-	-
Provision for impairment of assets and store closings	593	663	727	22,894
Depreciation and amortization	6,103	6,024	6,825	5,819
Total operating expenses	93,924	84,826	80,525	108,652
Loss from operations	(10,547)	(232)	(290)	(25,218)
Other income (expense)				
Interest expense, net	(2,153)	(1,883)	(3,095)	(8,179)
Share of loss of partially-owned affiliate	-	-	-	(1,388)
Gain on sale of affiliate's common stock	-	-	-	33,399
Realized loss on investments	(172)	(711)	-	(4,819)
Miscellaneous (expense) income, net	-	-	(18)	85
Income (loss) before income taxes	(12,872)	(2,826)	(3,403)	(6,120)
Benefit (provision) for income taxes	-	-	211	-
Net income (loss)	$ (12,872)	$ (2,826)	$ (3,192)	$ (6,120)
Weighted average shares outstanding:				
Basic	2,454,340	2,528,326	2,420,467	2,360,456
Diluted	2,454,340	2,528,326	2,420,467	2,360,456
Basic income (loss) per share	$ (5.24)	$ (1.12)	$ (1.32)	$ (2.59)
Diluted income (loss) per share	$ (5.24)	$ (1.12)	$ (1.32)	$ (2.59)
SELECTED OPERATING DATA:				
Number of stores open at end of period	232	238	247	257
Comparable store sales increase	1.1%	10.2%	2.5%	16.9%
BALANCE SHEET DATA:				
Working capital (deficiency)	$ (9,090)	$ 1,804	$ 2,760	$ 7,015
Total assets	92,463	103,423	102,559	107,329
Long-term debt, less current portion	7,746	7,752	5,204	11,531
Total shareholders' equity	10,222	21,853	22,603	26,395

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(1) Reflects a revision of previously reported amounts applicable to the perfumania.com acquisition. The revision increases the gain on sale of affiliate's common stock by $23.4 million from $10.0 million to $33.4 million and reflects a $23.4 million provision to reflect an impairment of goodwill at the date of the acquisition, May 10, 2000. For a further discussion see Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisition of Perfumania.com.

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

ACQUISITION OF PERFUMANIA.COM

On May 10, 2000, the Company acquired perfumania.com for 400,000 shares of Envision Development Corporation ("EDC") stock held by the Company which were restricted securities under Rule 144 of the Securities Act of 1933, as amended, and subject to a lock-up agreement as well as certain other restrictions including approval by an affiliate of EDC prior to the sale of shares by the Company. The lock-up agreement did not allow the Company to dispose of any of their EDC shares until May 2000, after which the Company was allowed to dispose of up to 50,000 shares per month from May through December 2000, up to 75,000 shares per month from January through July 2001 and up to 100,000 shares per month thereafter. Approval required by the affiliate of EDC allowing the Company to sell 50,000 shares in May 2000 was withheld and the Company believed that it would not obtain approval to sell such shares or any additional shares in subsequent months. In addition, management of the Company had concerns about the direction and business prospects of EDC and the future value of the EDC shares. The Company recorded the acquisition of perfumania.com at $5.4 million, which was based on an independent appraisal completed in December 2000. The Company used this valuation because it believed that the appraisal was more clearly evident of the fair value of the transaction than the quoted market price of the EDC stock at the time of the transaction. In December 2000, the EDC shares were delisted from the American Stock Exchange and the value of its shares became nominal.

The presentation of this transaction has been revised from the previously reported amounts to reflect the accounting treatment that would result from using the quoted market price of the EDC shares on the acquisition date rather than the appraised value as the more clearly evident indicator of the value of the transaction. The market price of EDC shares on the acquisition date was $70.25 per share and would have valued perfumania.com in the aggregate at approximately $28.1 million resulting in an increase in the gain on the sale of affiliate's common stock of $23.4 million, an increase in the acquisition price from $5.4 million to $28.8 million, and the recognition of additional goodwill of $23.4 million at the time of the transaction. Based on the results of the independent appraisal of the value of perfumania.com using the discounted cash flow method, goodwill would have been impaired by $23.4 million. Gross profit and net income remain unchanged for the fiscal year ended February 3, 2001.

GENERAL

Perfumania's retail division accounts for most of our net sales and gross profit. Perfumania's overall profitability depends principally on our ability to attract customers and successfully conclude retail sales. Other factors affecting our profitability include general economic conditions, competition, availability of volume discounts, number of stores in operation, timing of store openings and closings and the effect of special promotions offered by Perfumania.

The following table sets forth items from our Consolidated Statements of Operations expressed as a percentage of total net sales for the periods indicated:

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PERCENTAGE OF NET SALES

	FISCAL YEAR 2003	2002	2001
Net sales, retail division	93.4%	98.9%	95.2%
Net sales, wholesale division	6.6	1.1	4.8
Total net sales	100.0	100.0	100.0
Gross profit, retail division	38.5	41.8	40.6
Gross profit, wholesale division	0.7	0.0	0.1
Total gross profit	39.2	42.0	41.5

Selling, general and administrative expenses	38.7	37.8	37.7
Change of control expense..................	2.3	--	--
Provision for impairment of receivable from affiliate...............................	--	1.0	--
Provision for impairment of assets and store closings............................	0.3	0.3	0.4
Depreciation and amortization.............	2.9	3.0	3.5
Total operating expenses...............	44.2	42.1	41.6
Loss from operations before other expense..	(5.0)	(0.1)	(0.2)
Other expense:			
Interest expense, net..................	(1.0)	(0.9)	(1.6)
Realized loss on investments...............	(0.1)	(0.4)	--
Loss before income taxes..................	(6.0)	(1.4)	(1.8)
Benefit for income taxes..................	--	--	0.1
Net loss..................................	(6.1)%	(1.4)%	(1.7)%

FORWARD LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K, including those that contain the words "anticipate," "believe," "plan," "estimate," "expect," "should," "intend," and other similar expressions, are "forward-looking statements' within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements of those of our industry to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are our ability to service our obligations and refinance our credit facility on acceptable terms, our ability to comply with the covenants in our credit facility, general economic conditions including a continued decrease in discretionary spending by consumers, competition, potential technology changes, changes in or the lack of anticipated changes in the regulatory environment in various countries, the ability to secure partnership or joint-venture relationships with other entities, the ability to raise additional capital to finance expansion, the risks inherent in new product and service introductions and the entry into new geographic markets and other factors included in our filings with the Securities and Exchange Commission (the "SEC"), including the Risk Factors included in the Annual Report on Form 10-K. Copies of our SEC filings are available from the SEC or may be obtained upon request from us. We do not undertake any obligation to update the information contained herein, which speaks only as of this date.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make judgments and estimates. As such, some accounting policies have a significant impact on amounts reported in these financial statements. The judgments and estimates made can significantly affect results. Materially different amounts would be reported under different conditions or by using different assumptions. A summary of significant accounting policies can be found in Note 2 to the Consolidated Financial Statements.

We consider an accounting policy to be critical if it requires significant judgment and estimates in its application. We have identified certain accounting policies that we consider critical to our business and our results of operations and have provided below additional information on those policies.

Inventory Adjustments and Reserves

Inventories are stated at the lower of cost or market, cost being determined on a weighted average cost basis. We review our inventory on a regular basis for excess and potentially slow moving inventory based on prior sales, forecasted demand, historical experience and through specific identification of obsolete or damaged merchandise and we record inventory writeoffs in accordance with our expectations. If there are material changes to these estimates, additional writeoffs could be necessary.

Impairment of Long-Lived Assets

When facts and circumstances indicate that the values of long-lived assets, including intangibles, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. Inherent in this process is significant management judgment as to the projected cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Company recognizes an impairment loss as a charge against current operations. Cash flows for retail assets are identified at the individual store level. Judgments are also made as to whether under-performing stores should be closed. Even if a decision has been made not to close an under-performing store, the assets at that store may be impaired. If there are material changes to these judgments or estimates, additional charges could be necessary.

COMPARISON OF FISCAL YEARS 2003 AND 2002

REVENUES:

	For the year ended ($ in thousands)				
	January 31, 2004	Percentage of Revenue	February 1, 2003	Percentage of Revenue	Per Incre
Wholesale	$14,089	6.6%	$2,145	1.1%	
Retail	198,479	93.4%	199,369	98.9%	
Total Revenues	$212,568	100.0%	$201,514	100.0%	

Net sales increased due to an increase in wholesale sales, offset by a decrease in retail sales. The increase in wholesale sales was due primarily to $11.4 million of sales made to Quality King. The Company, through its supplier relationships, is able to obtain certain merchandise at better prices and quantities than Quality King. Wholesale sales in 2004 are expected to approximate fiscal year levels. See Note 5 to our Consolidated Financial Statements for further discussion. Comparable store sales measure the sales from stores that have been open for one year or more. Perfumania's comparable store sales increased 1.1% in fiscal year 2003. However, the average number of stores operated decreased from 242 during fiscal year 2002 to 235 in fiscal year 2003 primarily due to the closure of older, underperforming stores. We believe that Perfumania's retail sales were negatively impacted for part of fiscal year 2003 by the overall soft United States economy, the war in Iraq and disruption in our inventory supplies due to the relocation of our distribution facility.

COST OF REVENUES:

	For the year ended ($ in thousands)		
	January 31, 2004	February 1, 2003	Percentage Increase
Wholesale	$12,635	$1,710	638.9%
Retail	116,556	115,210	1.2%
Total cost of Revenues	$129,191	$116,920	10.5%

GROSS PROFIT:

	For the year ended ($ in thousands)		
	January 31, 2004	February 1, 2003	Percentage Increase (Decrease)
Wholesale	$1,454	$435	234.3%
Retail	81,923	84,159	(2.7)%
Total gross profit	$83,377	$84,594	(1.4)%

Gross profit decreased as a result of lower sales and gross profit in the retail division offset by higher sales and gross profit in the wholesale division.

Gross profit for the retail division decreased principally as a result of lower retail sales. Based on a comprehensive review of the Company's merchandise offerings conducted by management, approximately 3,400 stock keeping units ("skus") of our 25,000 skus were identified which we intend to discontinue offering for sale in Perfumania's retail stores. We recorded writeoffs totaling approximately $2.6 million as of fiscal year end 2003, which represents the difference between the estimated selling value and the historical cost of this inventory. This writeoff is included in cost of goods sold and accounts for 1.4% of the decrease in our retail gross profit as a percentage of net retail sales for fiscal year 2003.

The increase in gross profit in the wholesale division was due to higher wholesale sales as discussed above. Wholesale sales historically yield a lower gross margin compared to retail sales.

GROSS PROFIT MARGIN PERCENTAGES:

	For the year ended	
	January 31, 2004	February 1, 2003
Wholesale	10.3%	20.3%
Retail	41.7%	43.0%
Gross profit margin	39.2%	42.0%

The decrease in wholesale gross profit margins was primarily attributable to larger number of units per wholesale transaction in fiscal 2003 compared to fiscal 2002. Large unit orders yield lower margins than small orders.

OPERATING EXPENSES:

	For the year ended ($ in thousands)		
	January 31, 2004	February 1, 2003	Percentage Increase (Decrease)
Selling, general and administrative	$82,297	$76,178	8.0%
Change of control expenses	4,931	-	-
Asset impairment charges	593	663	(10.6)%
Receivable impairment charges	-	1,961	-
Depreciation and amortization	6,103	6,024	1.3%
Total operating expenses	$93,924	$84,826	10.7%

The increase in selling, general and administrative expenses is attributable primarily to higher employee compensation costs and other store operating costs. During fiscal 2003 we also incurred increased expenses for the relocation of our corporate headquarters and distribution center as well as the implementation of new Point of Sale software in our stores. The majority of our selling, general and administrative expenses relate to the retail division.

Change of control expenses of approximately $4.9 million in fiscal year 2003 represents expenses incurred as a result of the Nussdorf Option Agreement which was entered into effective January 30, 2004 between Ilia Lekach, our then Chairman of the Board and Chief Executive Officer, IZJD Corp. and Pacific Investment Group Inc., each of which are wholly-owned by Mr. Lekach and Deborah Lekach, Mr. Lekach's wife, and Stephen and Glenn Nussdorf. Approximately $2.6

million of these expenses represent amounts paid to certain of our executive officers and a consultant pursuant to employment and consulting agreements and approximately $2.3 million represents a non-cash charge for stock option expenses, also relating to these same employment and consulting agreements. See further discussion in Item 1 and also Note 5 to our Consolidated Financial Statements.

The asset impairment charges in both fiscal years relate to retail store locations with negative cash flows that were either closed or are targeted for closure.

The provision for receivables during fiscal year 2002 relates to an affiliate receivable which management determined was not collectible. See further discussion at Note 5 of the Notes to Consolidated Financial Statements.

LOSS FROM OPERATIONS:

	For the year ended ($ in thousands)		
	January 31, 2004	February 1, 2003	Percentage Increase
Loss from operations	$10,547	$232	4446.1%

OTHER EXPENSE:

	For the year ended ($ in thousands)		
	January 31, 2004	February 1, 2003	Percentage Increase (Decrease)
Interest expense	$2,179	$2,072	5.2%
Loss on investments	172	711	(75.8)%
Total other expense	$2,351	$2,783	(15.5)%

The increase in interest expense was primarily due to interest incurred on the capital lease for our corporate office and distribution center to which we relocated in the second quarter of fiscal year 2003.

The realized loss on investments in fiscal year 2002 was due to a decline in the market prices on securities available for sale that resulted in the Company recording a non-cash charge. During fiscal year 2003 the Company recorded a loss from the sale of these same investments. See further discussion at Note 9 of the Notes to Consolidated Financial Statements.

NET LOSS:

For the year ended

($ in thousands)

	January 31, 2004	February 1, 2003	Percentage Increase
Net Loss	$12,872	$2,826	355.5%

As a result of the foregoing reasons our net loss was increased as indicated above.

COMPARISON OF FISCAL YEARS 2002 AND 2001

REVENUES:

	For the year ended ($ in thousands)			
	February 1, 2003	Percentage of Revenues	February 2, 2002	Percentage of Revenues
Wholesale	$2,145	1.1%	$9,210	4.7
Retail	199,369	98.9%	184,142	95.3
Total Revenues	$201,514	100.0%	$193,352	100.0

The increase in net sales during fiscal year 2002 was due to an increase in retail sales offset by a decrease in wholesale sales. The increase in sales was principally due to a 10.2% increase in comparable store sales. The average number of stores operated decreased from 250 during fiscal year 2001 to 242 in fiscal year 2002. The increase in Perfumania's comparable store sales was due to an improved merchandise assortment and product promotions at our retail stores. The decrease in wholesale sales was due to management's decision to concentrate on the more profitable retail operations.

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COST OF REVENUES:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Increase (Decrease)
Wholesale	$1,710	$7,443	(77.0)%
Retail	115,210	105,674	8.6%
Total cost			

of Revenues	$116,920	$113,117	3.4%

GROSS PROFIT:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Increase (Decrease)
Wholesale	$435	$1,767	(75.4)%
Retail	84,159	78,468	7.3%
Total gross profit	$84,594	$80,235	5.4%

Gross profit increased as a result of higher sales and gross profit in the retail division offset by lower sales and gross profit in the wholesale division. Gross profit for the retail division increased principally as a result of higher retail sales volume. Gross profit for the wholesale division decreased due to lower wholesale sales. Wholesale sales historically yield a lower gross margin compared to retail sales.

GROSS PROFIT MARGIN PERCENTAGES:

	For the year ended	
	February 1, 2003	February 2, 2002
Wholesale	20.3%	19.2%
Retail	42.2%	42.6%
Gross profit margin	42.0%	41.5%

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OPERATING EXPENSES:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Increase (Decrease)
Selling, general and administrative	$76,178	$72,918	4.5%
Asset impairment charges	663	727	(8.8)%

Provision for doubtful accounts	-	55	-
Receivable impairment charges	1,961	-	-
Depreciation and amortization	6,024	6,825	(11.7)%
Total operating expenses	$84,826	$80,525	5.3%

The increase in selling, general and administrative expenses is attributable primarily to higher employee compensation costs, including incentive compensation paid to store personnel due to higher retail sales. The majority of our selling, general and administrative expenses relate to the retail division.

The asset impairment charges in both fiscal years relate to retail store locations with negative cash flows that were either closed or are targeted for closure.

The provision for receivables during fiscal year 2002 relates to an affiliate receivable from Nimbus which management determined was not collectible. No comparable receivable impairment was recorded during fiscal year 2001. See further discussion at Note 5 of the Notes to Consolidated Financial Statements.

Depreciation and amortization decreased primarily due to the adoption of SFAS 142 on February 3, 2002, which eliminated the amortization of goodwill and other intangible assets with indefinite useful lives.

LOSS FROM OPERATIONS:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Increase
Loss from operations	$232	$290	(20.0)%

OTHER EXPENSE:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Decrease
Interest expense	$2,072	$3,396	(39.0)%
Loss on investments	711	-	-
Other	-	18	-
	$2,783	$3,414	(18.5)%

The decrease in interest expense (net) was primarily due to lower interest rates and a reduction in the outstanding balance of convertible notes payable.

The realized loss on investments in fiscal year 2002 is due to a decline in the market prices on securities available for sale which resulted in the Company recording a non-cash charge. See further discussion at Note 9 of the Notes to Consolidated Financial Statements.

NET LOSS:

	For the year ended ($ in thousands)		
	February 1, 2003	February 2, 2002	Percentage Decrease
Net Loss	$2,826	$3,192	(11.5)%

As a result of the foregoing our net loss was reduced as indicated above.

LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements for operating purposes are to fund Perfumania's inventory purchases, renovate existing stores and selectively open new stores. During fiscal years 2003 and 2002, we financed these requirements primarily through cash flows from operations, borrowings under our line of credit, capital equipment leases and other short-term borrowings.

A summary of our cash flows is as follows:

	For the year ended January 31, 2004 ($ in thousands)
Summary Cash Flow Information:	
Cash provided by operations	$10,223
Cash used in investing activities	(5,728)
Cash used in financing activities	(5,498)
Decrease in cash and cash equivalents	(1,003)
Cash and cash equivalents, February 1, 2003	2,965
Cash and cash equivalents, January 31, 2004	$1,961

Perfumania's senior secured credit facility with GMAC Commercial Finance LLC ("GMAC") provides for borrowings of up to $40.0 million, of which $30.5 million was outstanding and $5.6 million was available as of January 31, 2004, to support normal working capital requirements and other general corporate purposes. Advances under the line of credit are based on a formula of eligible inventories and bears interest at a floating rate ranging from (a) prime less 0.75% to prime plus 1% or (b) LIBOR plus 1.75% to 3.50% depending on a financial ratio test. As of January 31, 2004, the credit facility bore interest at 4.6%. Borrowings are secured by a first lien on all assets of Perfumania. The credit facility contains limitations on additional borrowings, capital expenditures and other items, and contains various covenants including maintenance of minimum net worth, and certain key ratios, as defined by the lender. As of January 31, 2004, Perfumania was not in compliance with its tangible net worth ratio, fixed charge ratio, leverage ratio and capital expenditures limitation. On April 29, 2004, Perfumania obtained a waiver from GMAC for all instances of non-compliance as of January 31, 2004.

On May 12, 2004, Perfumania entered into a new three-year amended and restated senior secured revolving credit facility with GMAC Commercial Finance LLC and Congress Financial Corporation that provides for borrowings of up to $60 million.

Advances under the new line of credit are based on a formula of eligible inventories and will bear interest depending on the Company's financial ratios from (1) prime to prime plus 1.25% or (b) LIBOR plus 2.50% to 3.75%. Borrowings are secured by a lien on all assets of Perfumania. The credit facility contains limitations on additional borrowings, capital expenditures and other items, and contains various covenants including a fixed charge coverage ratio and minimum EBITDA amounts as defined. Advances will be secured by a first lien an all assets of Perfumania.

In March 2004, the Nussdorfs made a $5,000,000 subordinated secured demand loan to Perfumania. The demand loan bears interest at the prime rate plus 1%, requires quarterly interest payments and is secured by a security interest in Perfumania's assets pursuant to a Security Agreement, by and among Perfumania and the Nussdorfs. There are no prepayment penalties and the loan is subordinate to all bank related indebtedness.

In January 2004 we incurred approximately $4.9 million in change of control expenses incurred as a result of the Nussdorf Option Agreement. Approximately $2.6 million of these expenses represent amounts paid to certain of our executive officers and a consultant pursuant to employment and consulting agreements and approximately $2.3 million represents a non-cash charge for stock option expenses, also relating to these same employment and consulting agreements.

In February 2002, we entered into a Convertible Note Option Repurchase Agreement (the "Agreement") with the holders of our outstanding Series C and D Convertible Notes. The Agreement provided that we had the monthly option to repurchase the then approximate $4.9 million outstanding notes over an eleven month period beginning February 2002, at a price equal to the unpaid principal balance plus a 20% premium. The portion of the notes redeemable in each of the eleven months varied as per a specified redemption schedule. In the event that we exercised our monthly option, the note holders were restricted from converting any part of the remaining outstanding and unpaid principal balance of such holder's notes into our common stock. During fiscal year 2002, we repaid approximately $4.2 million to the note-holders.

In December 2002, we entered into an Amendment to the February 2002 Convertible Note Option Repurchase Agreement. The Amendment provided an extension of the maturity date of the Series C and D Convertible Notes to September 15, 2003 with a monthly option to repurchase the approximately $1.2 million in Notes over the extended maturity date. During fiscal year 2003 we repaid the remaining outstanding balance to the note-holders.

On June 30, 2003 and September 30, 2002, Perfumania signed a $5.0 million and a $3.0 million subordinated note agreement, respectively, with Parlux. The notes were in consideration for the reduction of $5.0 million and $3.0 million in trade payables due to Parlux in the respective years. The notes were due on February 29, 2004 and March 31, 2003, with various periodic principal payments, bore interest at prime plus 1% and was subordinated to all bank related indebtedness. As of January 31, 2004 and February 1, 2003, the outstanding principal balance due on the notes was $250,000 and $100,000, respectively. The notes were repaid in full in February 2004 and April 2003, respectively, and in accordance with their terms.

In fiscal year 2003, net cash provided by operating activities was approximately $10.2 million compared with $5.7 million in fiscal year 2002. The increase in net cash provided by operating activities was principally a result of the net change in our inventories, accounts payable to affiliates, accrued expenses and other liabilities. Due to management's comprehensive review of certain skus; which the Company does not plan to reorder and intends to discontinue offering for sale, inventory purchases were delayed at fiscal year-end 2003.

Net cash used in investing activities in fiscal year 2003 was approximately $5.7 million, compared with $1.9 million for fiscal year 2002. Investing activities generally represent spending for the renovation of existing stores and new store openings. Approximately $1.1 million of the $5.7 million used in investing activities is attributable to the relocation of the Company's corporate office and distribution center to Sunrise, Florida in the second quarter of fiscal year 2003. The balance is due to the opening of 11 new stores and the remodel/relocation of 12 stores. We intend to focus on continuing to improve the profitability of our existing stores and anticipate that we will open no more than 15 stores in fiscal 2004. Currently, our average capital expenditure for opening a store is approximately $160,000, including furniture and fixtures, equipment, build-out costs and other items. In addition, initial inventory (not including inventory replenishment) in a new store ranges from approximately $150,000 during the first fiscal quarter to approximately $200,000 during the fourth quarter.

In fiscal year 2003, net cash used in financing activities was approximately $5.5 million compared with $2.4 million for fiscal year 2002. The change was principally due to the use of $1.5 million to redeem convertible notes payable, $1.1 million for capital lease obligations, net repayments of bank borrowings of $1.6 million and $1.5 million for the repurchase of our common stock (see further discussion below).

In December 1999, our Board of Directors approved the repurchase by the Company of up to 375,000 shares of our common stock, reflecting its belief that our common stock represented a significant value at its then current trading price. In January 2001, the Board approved an increase in the stock repurchase program by an additional 250,000 shares, in February 2002, the Board approved an increase in the stock repurchase program by an additional 250,000 shares and in April 2002, the Board approved an increase in the stock repurchase program by an additional 100,000 shares. Pursuant to these authorizations, we have repurchased approximately 898,000 shares of common stock for approximately $8.6 million since December 1999, including approximately 118,000 shares for $1.5 million in fiscal year 2003.

Management believes that Perfumania's borrowing capacity under the new credit facility, projected cash flows from operations and other short term borrowings will be sufficient to support our working capital needs, capital expenditures and debt service for at least the next twelve months. There can be no assurance that management's plans and expectations will be successful.

	Payments due by period ($ in thousands)			
Contractual Obligations	Total	less than 1 year	1-3 years	3-5 ye
Long-Term Debt Obligations	-	-	-	
Capital Lease Obligations	$17,567	$259	$3,087	$2,
Operating Lease Obligations	60,729	12,021	19,046	10,
Purchase Obligations	-	-	-	
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	-	-	-	
Total	$78,296	$12,280	$22,133	$12,

SEASONALITY AND QUARTERLY RESULTS

Our operations historically have been seasonal, with higher sales in the fourth fiscal quarter than the other three fiscal quarters. Significantly higher fourth quarter retail sales result from increased purchases of fragrances as gift items during the holiday season. Our quarterly results may vary due to the timing of new store openings, net sales contributed by new stores and fluctuations in comparable sales of existing stores. Results of any interim period are not necessarily indicative of the results that may be expected during a full fiscal year.

RECENT ACCOUNTING STANDARDS

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments and Characteristics of both Liabilities and Equity." This statement established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or asset in some circumstance). Many of those instruments were previously classified as equity. The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after December 15, 2003. The adoption of SFAS No. 150 did not have a material impact on our consolidated financial position, results of operations or disclosures.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative and Hedging Activities." In general, this statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on our consolidated financial position, results of operations or disclosures.

CHANGES IN FOREIGN EXCHANGE RATES CREATE RISK

Although large fluctuations in foreign exchange rates could have a material effect on the prices we pay for products purchased from outside the United States, such fluctuations have not been material to our results of operations to date. Transactions with foreign suppliers are in United States dollars. We believe inflation has not had a material impact on our results of operations and we are generally able to pass through cost increases by increasing sales prices.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We conduct business in the United States where the functional currency of the country is the United States dollar. As a result, we are not at risk to any foreign exchange translation exposure on a prospective basis.

Our exposure to market risk for changes in interest rates relates primarily to our bank line of credit. The bank line of credit bears interest at a variable rate, as discussed above under "Liquidity and Capital Resources". We mitigate interest rate risk by continuously monitoring the interest rates. As a result of borrowings associated with our operating and investing activities, we are exposed to interest rate risk. As of January 31, 2004 and February 1, 2003, our primary source of funds for working capital and other needs is a line of credit that provides for borrowings up to $40 million.

Of the $38.7 million and $42.1 million of short-term and long-term borrowings on our balance sheet as of January 31, 2004 and February 1, 2003, respectively, approximately 20.7% and 23.7%, respectively, represented fixed rate instruments. The line of credit bears interest at a floating rate ranging from (a) prime less .075% to prime plus 1.0%, or (b) LIBOR plus 1.75% to 3.5% depending on a financial ratio test. For fiscal year 2003, the credit facility bore interest at an average rate of 3.9%. A hypothetical 10% adverse move in interest rates would increase fiscal years 2003 and 2002 interest expense by approximately $0.1 million in both years.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS AND DIRECTORS

The following are our executive officers and directors:

NAME	AGE	POSITION
Stephen Nussdorf	53	Chairman of the Board
Michael W. Katz	55	Chief Executive Officer and President
A. Mark Young	43	Chief Financial Officer
Jeffrey Geller	30	President and Chief Operating Officer of Retail Divis
Donovan Chin	37	Chief Financial Officer of Perfumania, Inc., Secretar
Leon Geller	49	Vice President of Purchasing, Perfumania, Inc.
Alan Grobman	34	Vice President of Logistics and Distribution, Perfuma
Joel Lancaster	45	Vice President of Stores, Perfumania, Inc.
Carole Ann Taylor(1)(2)(3)	58	Director

Joseph Bouhadana(1)(2)(3)	35	Director
Paul Garfinkle(1)	63	Director

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(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Stock Option Committee

STEPHEN NUSSDORF was appointed our Chairman of the Board in February 2004. Mr. Nussdorf is one of the principal shareholders in, and an executive officer of Quality King Distributors, Inc. ("Quality King"). Quality King is a privately held promotional wholesaler of pharmaceuticals, health and beauty care products, and fragrances with annual sales approximating $2.5 billion. Mr. Nussdorf joined Quality King in 1972 and has served Quality King in various capacities in all divisions of its business.

MICHAEL W. KATZ joined us in February 2004 as our Chief Executive Officer and President. He was also appointed a Director. Mr. Katz has served in various capacities at Quality King and its affiliated companies; primarily responsible for overseeing administration, finance, mergers and acquisitions. Mr. Katz has participated in the design and implementation of the business strategy which has fostered the growth of Quality King and its affiliated companies. From 1994 until 1996 he was Senior Vice President of Quality King. Since 1996 he has served as Executive Vice President of Quality King and in the Office of the Chief Executive and as a Director of Model Reorg., Inc., an affiliate of Quality King which sells designer fragrances at wholesale and retail. Mr. Katz became Executive Vice President, Chief Financial Officer and Treasurer of QK Healthcare, Inc. a wholly owned subsidiary of Quality King in 2000. Mr. Katz is a Certified Public Accountant.

A. MARK YOUNG joined us in February 2000 and became our Chief Financial Officer in May 2000. He served as one of our directors from April 2001 until his resignation as a director in September 2002. Prior to February 2000, Mr. Young was employed in the Business Assurance practice of the Middle Market Group of PricewaterhouseCoopers LLP. Mr. Young is a Certified Public Accountant.

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JEFFREY GELLER joined us in March 2000 and was appointed the President and Chief Operating Officer of our Retail division in May 2000. He served as one of our directors from April 2001 until his resignation as a director in September 2002. Prior to joining us, Mr. Geller was the Director, General Manager and Development Agent for an international restaurant chain in Peru which operated company owned and franchised locations.

DONOVAN CHIN serves as the Chief Financial Officer of Perfumania. He was appointed Corporate Secretary in February 1999, director in March 1999 and Chief Financial Officer of Perfumania in May 2000. He has also served as our Chief Financial Officer from February 1999 to May 2000. From May 1995 to February 1999, Mr. Chin was our Corporate Controller and from May 1993 to May 1995 he was Assistant Corporate Controller. Previously, Mr. Chin was employed by Pricewaterhouse LLP in its Miami audit practice. Mr. Chin is a Certified Public Accountant.

LEON GELLER joined us in March 2001 as Vice President of Purchasing of Perfumania, Inc. Prior to joining us, Mr. Geller was the Executive Director of a textile distributor in Peru. Leon Geller is the uncle of Jeffrey Geller, the

President and Chief Operating Officer of our retail division.

ALAN GROBMAN has served as the Vice President of Logistics and Distribution for Perfumania, Inc. since February 2003. He also served as our Director of Fulfillment from November 2000 to February 2003. Previously, Mr. Grobman was Plant Manager of Crown Cork and Seal del Peru, a manufacturer of food and specialty packaging from March 1999 to October 2000, and prior to that he was the General Manager of Corporacion Lealha, a beverage and entertainment company from May 1997 to March 1999.

JOEL LANCASTER has served as the Vice President of Stores for Perfumania, Inc. since July 2000. He also served as our Director of Stores from August 1997 to July 2000, and as a District Supervisor from October 1995 to August 1997. Previously, Mr. Lancaster was employed by Lillie Rubin, Inc. as its National Director of Stores for four years.

CAROLE ANN TAYLOR has been a director since June 1993. From 1987 to 1998, Ms. Taylor was the owner and president of the Bayside Company Store, a retail souvenir and logo store at Bayside Marketplace in Miami, Florida. During this time she was a partner of the Jardin Bresilien Restaurant also located at the Bayside Marketplace. Currently, Ms. Taylor is the owner of Miami To Go, Inc., a retail and wholesale logo and souvenir merchandising and silk-screening company. She is a partner at Miami Airport Duty Free Joint Venture with Greyhound Leisure Services which owns and operates the 19 duty free stores at Miami International Airport. She serves as director of the Miami-Dade Chamber of Commerce, the Greater Miami Convention & Visitors Bureau and the Miami Film Festival. Ms. Taylor is a member of our Audit, Compensation and Stock Option Committees.

PAUL GARFINKLE joined us in February 2004. Mr. Garfinkle retired from the public accounting firm of BDO Seidman, LLP, in June 2000 after a thirty-six year career. While at BDO Seidman, LLP, Mr. Garfinkle was an audit partner and client service director for many of the firm's most significant clients. He also served for many years as a member of the firm's Board of Directors and, during his last six years, at the firm as national director of Real Estate and Hospitality Service. Mr. Garfinkle is a member of our Audit Committee.

JOSEPH BOUHADANA was appointed a director in September 2002. Mr. Bouhadana has served as Vice President of Information Technology of Tutopia.com, a privately owned Internet service provider with a presence in nine countries in Latin America, since September 2000. Previously, Mr. Bouhadana was the Director of Information Technology of Hotelworks.com or Parker Reorder, a publicly traded company specializing in hospitality business to business procurement, distribution and logistics systems. Mr. Bouhadana is a member of our Audit, Compensation and Stock Option Committees.

Our directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified.

AUDIT COMMITTEE

Our board of directors has an Audit Committee consisting of Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle. Each of the members of the Audit Committee is independent as defined under Nasdaq Marketplace Rule 4200(a)(15). The board of directors designated Paul Garfinkle the "audit committee financial expert" as defined by SEC rules.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires directors and executive officers, and persons who own more than 10 percent of our common stock, to file with SEC initial reports of ownership and reports of changes in ownership of common stock. Officers, directors and greater than 10 percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended January 31, 2004, filing deficiencies under Section 16(a) included one late report filed by A. Mark Young, Jeffrey Geller, Leon Geller, Alan Grobman and Joel Lancaster with respect to one transaction each.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information concerning compensation for the fiscal years ended February 1, 2004 (Fiscal 2003), February 1, 2003 (Fiscal 2002) and February 2, 2002 (Fiscal 2001) of the Chief Executive Officer and the most four highly compensated executive officers who were serving as executive officers of the Company at the end of the last fiscal year and whose total annual salary and bonus exceeded $100,000 for fiscal 2003 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION					
					AWAR	
Name and Principal Position	Fiscal Year	Salary($)	Bonus($)	Other Annual Compensation($)(1)	Restricted Stock Awards($)	Option
Ilia Lekach	2003	509,101		1,012,521	-	125,
Formerly Chairman of the Board	2002	441,000	-	-	-	-
And Chief Executive Officer	2001	438,577	250,000	-	-	125,
A. Mark Young	2003	217,640		469,183	-	25,
Chief Financial Officer	2002	196,153	-	-	-	-
	2001	166,152	-	-	-	12,
Jeffrey Geller	2003	220,256		472,072	-	25,
President and Chief						
Operating Officer	2002	192,561	-	-	-	-
Perfumania, Inc.	2001	162,197	-	-		10,
Leon Geller (3)	2003	181,209		183,899	-	12,
Vice President of Purchasing,	2002	173,166	-	-	-	-
Perfumania, Inc.	2001	159,341	-	-	-	12,
Joel Lancaster	2003	149,371	-	145,167	-	16,
Vice President of Purchasing,	2002	131,945	-	-	-	-
Perfumania, Inc.	2001	123,171	-	-	-	3,7

(1) Amounts included represent payments made to the persons indicated pursuant to the terms of their employment agreements as a result of the change of control, described below. These payments were made as a consequence of the determination on February 3, 2004 by the disinterested and independent members of the Board of Directors that a change of control had occurred under the terms of such employment agreements, and the subsequent authorization on such date of such payments by Ilia Lekach, the Company's then Chairman and Chief Executive Officer. The column for "Other Annual Compensation" does not include any amounts for executive perquisites and any other personal benefits, such as the cost of automobiles, life insurance and disability insurance because the aggregate dollar amount per executive does not exceed the lesser of $50,000 or 10% of his annual salary and bonus.

(2) Our Board of Directors authorized a one-for-four reverse stock-split of our outstanding shares of common stock for shareholders of record on March 2, 2002. Accordingly, all share and per share data shown in this information statement have been retroactively adjusted to reflect this reverse stock-split. Options issued in Fiscal 2003 represent those options issued as a consequence of the change of control pursuant to the Company's contractual obligations under existing employment agreements.

(3) Leon Geller joined us in October 2000 and was appointed Vice President of Purchasing of Perfumania, Inc. in March 2001.

OPTIONS GRANTS TABLE

The following table sets forth certain information concerning grants of stock options made during fiscal year 2003 to the Named Executive Officers.

	Individual Option Grants in Fiscal Year 2003				
Name	Number of Options Granted	% of Total Options Granted to Employees in Fiscal Year 2003(1)	Exercise Price Per Share	Expiration Date	Poten at Ass of Stock Fo 5% (
Ilia Lekach	125,000	49%	$ 4.00	2013	$ 2,350,56
A. Mark Young	12,500	5%	$ 7.76	2013	$ 188,05
	12,500	5%	$ 3.52	2013	$ 241,05
Jeffrey Geller	15,000	6%	$ 11.24	2013	$ 173,46
	10,000	4%	$ 3.52	2013	$ 192,84
Leon Geller	12,500	5%	$ 3.52	2013	$ 241,05
Joel Lancaster	5,000	2%	$ 13.00	2013	$ 49,02

7,500	3%	$ 8.24	2013	$ 109,23
3,752	1%	$ 3.52	2013	$ 72,35

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(1) Total stock option grants during fiscal year 2003 were 254,252.

(2) In accordance with the rules of the Securities and Exchange Commission, the potential realizable values for such options shown in the table presented above are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the options were granted to their expiration date. These assumed rates of appreciation do not represent our estimate or projection of the appreciation of shares of our common stock.

STOCK OPTION EXERCISES AND YEAR-END OPTION VALUE TABLE

The following table sets forth certain information concerning option exercises in fiscal year 2003 and the number of unexercised stock options held by the Named Executive Officers as of January 31, 2004.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at Fiscal Year-End (#) Exercisable / Unexercisable (1)	Value of Unex In-The-Money O Fiscal Yea ($)(1)(2) Exer Unexerci
Ilia Lekach		-	443,750/0	$4,861,000
A. Mark Young	-	-	50,000/0	$418,000/
Jeffrey Geller	-	-	50,000/0	$292,400/
Leon Geller	-	-	25,000/0	$262,000/
Joel Lancaster			32,504/0	$175,042/

(1) Includes options issued to such persons as a result of the change of control discussed in Item 12, Security Ownership of Certain Beneficial Owners And Management And Related Stockholder Matters. Assumes all outstanding options are currently exercisable based on the change of control.

(2) Based on the spread between the exercise price of the options and the closing price of $14.00 per share on January 30, 2004.

DIRECTOR COMPENSATION

We pay each nonemployee director a $10,000 annual retainer, and reimburse their expenses in connection with their activities as directors. In addition, nonemployee directors are eligible to receive stock options under the Directors Stock Option Plan.

The Directors Stock Option Plan currently provides for an automatic grant of an option to purchase 500 shares of our common stock upon a person's election as director and an automatic grant of options to purchase 1,000 shares of our common stock upon re-election to the Board, in both instances at an exercise price equal to the fair market value of the common stock on the date of the option grant.

EMPLOYMENT AND SEVERANCE AGREEMENTS

Effective February 1, 2002, we entered into a 3-year employment agreement with Ilia Lekach. Mr. Lekach's employment agreement was terminated effective as of February 10, 2004. Pursuant to the terms of the employment agreement, Mr. Lekach was to receive an annual salary of $460,000, subject to cost-of-living increases or 5% if higher. The employment agreement provided that Mr. Lekach would continue to receive his annual salary until the expiration of the term of the agreement if his employment was terminated by us for any reason other than death, disability or cause (as defined in the employment agreement). The employment agreement contained a performance bonus plan, which provided for additional compensation and grant of stock options, if we met certain specified net income levels. The employment agreement prohibited Mr. Lekach from directly or indirectly competing with us during the term of his employment and for one year after termination of employment except in the case of our termination of employment without cause. Pursuant to the terms of the employment agreement, Mr. Lekach received a signing bonus of $250,000 and was granted 125,000 options to purchase our common stock at an exercise price of $4.00 per share (the closing market price of our common stock on January 31, 2002).

On February 10, 2004, our Board of Directors terminated without cause Ilia Lekach's employment with the Company as Chairman of the Board and Chief Executive Officer. In addition, as a consequence of the Nussdorf Option Agreement described herein, the Board of Directors determined that a change of control occurred under the Company's employment agreement with Mr. Lekach, and that the terms of the employment agreement required the Company to issue Mr. Lekach 125,000 options. Upon termination of the employment agreement, and as a consequence of the change of control, Mr. Lekach was paid approximately $1,012,000 (two times the remaining compensation under the Agreement).

Effective January 31, 2003, we entered into 3-year employment agreements subject to termination in accordance with the agreements, with A. Mark Young and Jeffrey Geller providing for annual salaries of $210,000, subject to specified increases. In addition, effective May 16, 2002, we entered into 2-year employment agreements with Leon Geller and Joel Lancaster, subject to termination in accordance with the agreements, providing for annual salaries of $175,142 and $138,225, respectively, subject to specified increases. As a consequence of the change of control described below, Mr. Young, Mr. Jeffrey Geller, Mr. Leon Geller, Mr. Lancaster and Mr. Alan Grobman received approximately $469,000, $472,000, $184,000, $125,000 and $145,000, respectively, under the terms of their employment agreements with the Company. These payments were made as a consequence of the determination on February 3, 2004 by the disinterested and independent members of the Board of Directors that a change of control had occurred under the terms of such employment agreements, and the subsequent authorization on such date of such payments by Ilia Lekach, the Company's then Chairman and Chief Executive Officer.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following directors served as members of the compensation committee during the 2003 fiscal year: Carole Ann Taylor and Joseph Bouhadana. None of the members of the compensation committee was, at any time either during or before such fiscal year, an officer or employee of ours or any of our subsidiaries, or has any relationship requiring disclosure under Item 13, Certain Relationships and Related Party Transactions.

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

The following table shows the amount of common stock beneficially owned as of May 17, 2004 by: (a) each of our directors, (b) each of our executive officers named in the Executive Compensation Table (set forth above), (c) all of our directors and executive officers as a group and (d) each person known by us to beneficially own more than 5% of our outstanding common stock. Unless otherwise provided, the address of each holder is c/o E Com Ventures, Inc., 251 International Parkway, Sunrise, Florida, 33325.

Common Stock Beneficially Owned

Name and Address of Beneficial Owner	Total Number of Shares Beneficially Owned	Percent of Shares Outstanding
Ilia Lekach	150,000 (1)(2)(3)	5.2%
Rachmil Lekach	224,776 (1)(2)(4)	7.8%
Glenn and Stephen Nussdorf	1,128,144 (6)(8)	39.2%
A. Mark Young	51,925 (1)(4)	1.8%
Jeffrey Geller	53,555 (1)(4)	1.9%
Donovan Chin	27,250 (1)(4)	1.0%
Leon Geller	25,000 (1)(4)	*
Alan Grobman	21,000 (1)(4)	*
Joel Lancaster	32,504 (1)(4)	1.2%
Carole A. Taylor	6,000 (1)(4)	*
Paul Garfinkle	0 (1)(8)	*
Michael Katz	0 (1)(8)	*
Joseph Bouhadana	1,500 (1)(4)	*
Parlux Fragrances, Inc	378,102 (5)	13.1%
All directors and executive officers as a group (11 persons)	1,346,878 (7)	46.8%

*Less than 1%.

(1) For purposes of this table, beneficial ownership is computed pursuant to Rule 13d-3 under the Exchange Act; the inclusion of shares as beneficially owned should not be construed as an admission that such shares are beneficially owned for purposes of the Exchange Act. Under the rules of the Securities and Exchange Commission, a person is deemed to be a "beneficial owner" of a security he or she has or shares the power to vote or direct the voting of such security or the power to dispose of or direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security.

(2) Ilia Lekach and Rachmil Lekach jointly own with their spouses the shares set forth opposite their respective names.

(3) Does not include shares subject to the Nussdorf Option Agreement, including the 125,000 shares issuable upon a like number of options required to be granted to Mr. Lekach as a consequence of the change of control. The 150,000 shares included in the table are not subject to the Nussdorf Option Agreement. Mr. Lekach has sole dispositive and voting power over such 150,000 shares.

(4) With respect to the specified beneficial owner, includes shares of common stock issuable upon the exercise of stock options currently exercisable or exercisable within 60 days of May 17, 2004 in the following amounts: Rachmil Lekach (25,000); Jeffrey Geller (50,000); A. Mark Young (50,000); Donovan Chin (27,250); Leon Geller (25,000); Alan Grobman (21,000); Joel Lancaster (32,504); Carole A. Taylor (6,000); and Joseph Bouhadana (1,500).

(5) The address of Parlux Fragrances, Inc. is 3725 S.W. 30th Avenue, Ft. Lauderdale, Florida 33154. Ilia Lekach, our former Chairman and Chief Executive Officer, is the Chairman of the Board of Parlux Fragrances, Inc.

(6) The principal business address of Messrs. Glenn and Stephen Nussdorf is 2060 Ninth Avenue, Ronkonkoma, New York 11779.

(7) Includes shares of common stock issuable upon the exercise of stock options currently exercisable or exercisable within 60 days of May 17, 2004, as set forth in Note 4 above.

(8) Does not include shares issuable upon the exercise of stock options that are provided for under the Company's 2000 Directors Stock Option Plan as a result of their appointment to the Board but not yet granted to each of Michael Katz, Paul Garfinkle and Stephen Nussdorf. Each of these directors, who are not employees of the Company, may be granted options to acquire 500 shares.

EQUITY COMPENSATION PLAN INFORMATION

This table summarizes share and exercise price information about our equity compensation plans as of January 31, 2004.

Plan Category	Number of Securities To Be Issued	Weighted Average Exercise Price Of Outstanding Options, Warrants and Rights	Number of Available Issuance Compens
Equity compensation plans approved by security holders	666,501	$5.32	23
Equity compensation plans not approved by security holders	-	-	
TOTAL	666,501	$5.32	23

CHANGE OF CONTROL

Effective January 30, 2004, Ilia Lekach, our former Chairman of the Board and Chief Executive Officer, IZJD Corp. and Pacific Investment Group, Inc., each of which are wholly-owned by Mr. Lekach, and Deborah Lekach, Mr. Lekach's wife (collectively, "Lekach"), entered into an option agreement (the "Nussdorf Option

Agreement"), with Stephen Nussdorf and Glenn Nussdorf (the "Nussdorfs"), pursuant to which the Nussdorfs were granted options to acquire up to an aggregate 720,954 shares of the Company's common stock beneficially owned by Lekach, for a purchase price of $12.70 per share in the installments indicated on or after the dates set forth in the table below:

DATE	NUMBER OF SHARES
January 30, 2004	433,070
March 15, 2004	162,884
April 23, 2004	125,000

The purchase price for the shares to be acquired by the Nussdorfs under the Nussdorf Option Agreement was payable in cash; provided that the Nussdorfs may have elected to pay a portion of the purchase price for the shares that were subject to the option installment that first became exercisable in April 2004, by offsetting the principal and accrued interest then owed under a $1,000,000 demand note, dated December 8, 2003, made by Mr. Lekach and payable to the order of Stephen Nussdorf.

Of the 720,954 shares subject to the Nussdorf Option Agreement, an aggregate 443,750 shares were issuable upon exercise of certain stock options owned of record by Ilia Lekach. To date, Mr. Lekach has exercised options to acquire all 443,750 of those shares and the Nussdorfs have acquired all 720,954 shares pursuant to the Nussdorf Option Agreement.

The Nussdorfs now own an aggregate 1,128,144 shares of the Company's common stock or approximately 39% of the total number of shares of the Company common stock currently outstanding.

On March 11, 2004, the Nussdorfs made a $5,000,000 secured demand loan to Perfumania. Such loan is evidenced by a subordinated secured demand note of Perfumania. The demand loan is secured by a security interest in Perfumania's assets pursuant to a Security Agreement, by and among Perfumania and the Nussdorfs.

On February 6, 2004, Miles Raper, Donovan Chin and Daniel Bengio resigned as members of the Company's Board of Directors, and Stephen Nussdorf, Paul Garfinkle and Michael W. Katz were elected to the Company's Board of Directors. Effective February 10, 2004, Mr. Lekach's employment with the Company was terminated and Mr. Lekach ceased serving as an employee and officer of the Company. In addition, on February 10, 2004, Stephen L. Nussdorf was appointed the Company's Chairman of the Board and Michael W. Katz was appointed the Company's Chief Executive Officer and President.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Notes receivable from Ilia Lekach, our former Chairman of the Board of Directors and Chief Executive Officer, were $327,311 and $311,604 as of January 31, 2004 and February 1, 2003, respectively. The notes were unsecured, mature in five years and bear interest at prime plus 1% per annum. Principal and interest were payable in full at maturity. Total interest income recognized during fiscal years 2003, 2002, and 2001 was approximately $16,000, $174,000 and $264,000, respectively. Accrued interest receivable was approximately $27,000 and $12,000 as of January 31, 2004 and February 1, 2003. The notes and all accrued interest were fully repaid in March 2004.

Ilia Lekach was also Chairman and interim CEO of Nimbus Group, Inc. ("Nimbus"), formerly known as TakeToAuction.com ("TTA"), a public company previously committed to the development of a private jet air taxi network. TTA initially sold consumer products on Internet auction sites.

From fiscal year 2000 through fiscal year 2002, we acquired approximately 1,003,000 shares of Nimbus common stock. The investment in Nimbus was shown on our balance sheets as investments available for sale. During fiscal year 2003 we disposed of our holding in Nimbus in open market transactions at a loss of approximately $172,000.

Purchases of products from Parlux Fragrances, Inc. ("Parlux"), whose Chairman of the Board of Directors and Chief Executive Officer is Ilia Lekach, amounted to approximately $27,701,000, $11,613,000 and $19,598,000 in fiscal years 2003, 2002 and 2001, representing approximately 23%, 10% and 17%, respectively, of the Company's total purchases. The amount due to Parlux on January 31, 2004 and February 1, 2003 was approximately $14,506,000 and $10,739,000, respectively, of which both amounts include a $250,000 and a $100,000 subordinated interest bearing secured note payable as of January 31, 2004 and February 1, 2003, respectively. Accounts payable due to Parlux are non-interest bearing. The amount due to Parlux, exclusive of the secured note payable, are included in the accounts payable affiliates in the accompanying consolidated balance sheets.

On June 30, 2003 and September 30, 2002, Perfumania signed a $5,000,000 and a $3,000,000 subordinated note agreement with Parlux. The notes were in consideration for the reduction of $5,000,000 and $3,000,000 in trade payables due to Parlux in the respective years. The notes were due on February 29, 2004 and March 31, 2003, respectively, with various periodic principal payments, bore interest at prime plus 1% and were subordinated to all bank related indebtedness. As of January 31, 2004 and February 1, 2003 the outstanding principal balance due on the notes was $250,000 and $100,000, respectively. The notes were repaid in full in February 2004 and April 2003, respectively, and in accordance with their terms.

We purchased approximately $6,368,000 and $10,562,000 of merchandise in fiscal years 2003 and 2002, respectively, from a company owned by Zalman Lekach, a former director of ours, and a brother of Ilia Lekach. The amount due to Zalman Lekach's company at January 31, 2004 and February 1, 2003 was approximately $1,617,000 and $1,383,000, respectively, and are included in accounts payable affiliates in the accompanying consolidated balance sheets.

We purchased approximately $4,305,000 and $6,021,000 of merchandise in fiscal years 2003 and 2002, respectively, from a company owned by another brother of Ilia Lekach. The amount due to this company was approximately $771,000 and $1,310,000, respectively, at January 31, 2004 and February 1, 2003, and are included in accounts payable affiliates in the Company's consolidated balance sheets.

As described above, effective January 30, 2004, Ilia Lekach, our then Chairman of the Board and Chief Executive Officer and several other parties controlled by Lekach, entered into the Nussdorf Option Agreement with the Nussdorfs, pursuant to which the Nussdorfs were granted options to acquire up to an aggregate 720,954 shares of our common stock beneficially owned by Lekach, for a purchase price of $12.70 per share in specified installments.

In addition, pursuant to and in accordance with the terms of the Nussdorf Option Agreement, the Nussdorfs have been granted an irrevocable proxy for the term set forth in the Nussdorf Option Agreement to vote any shares owned by Lekach that are the subject of the Nussdorf Option Agreement.

As of May 17, 2004, Mr. Lekach has exercised options to acquire 443,750 of those shares and the Nussdorfs have acquired 720,954 shares pursuant to the Nussdorf Option Agreement. The Nussdorfs own an aggregate of 1,128,144 shares of our common stock or approximately 39% of the total number of shares of our common stock outstanding.

As a consequence of the change in control provisions set forth in the employment agreements of Mr. Lekach, various executive officers and a consultant, we issued a total of 244,252 options for our common stock in January 2004. Since the various exercise prices of the options were less than the market price of our common stock on the grant date, we incurred a non-cash charge of approximately $2,286,000. In addition, pursuant to the same employment and consulting agreements, we accrued approximately $2,645,000 in January 2004, representing amounts subsequently paid to said persons as a result of the change of control. These charges totaling approximately $4,931,000 are included in "Change of control expenses" on our consolidated statement of operations for the year ended January 31, 2004.

The Nussdorfs are officers and principals of Quality King Distributors, Inc. ("Quality King"). During fiscal year 2003, we purchased approximately $5,960,000 of merchandise from Quality King and sold approximately $11,366,000 of different merchandise to Quality King. In fiscal year 2002, there were approximately $944,000 of purchases from Quality King and approximately $1,000,000 of merchandise sold to Quality King. The amounts due to Quality King at January 31, 2004 and February 1, 2003 were approximately $797,000 and $15,000 respectively.

ITEM 15. PRINCIPAL ACCOUNTANT FEES SERVICES

The aggregate fees billed by Deloitte & Touche LLP ("Deloitte") for fiscal years 2003 and 2002 are as follows:

FEES	FISCAL 2003	FISCAL 2002
Audit Fees (1)	$263,000	$237,000
Tax Fees (2)	14,000	15,000
Total Fees	$277,000	$252,000

(1) "Audit Fees" consist of fees billed for professional services rendered in connection with the audit of our consolidated annual financial statements and the review of our interim consolidated financial statements included in quarterly reports.

(2) "Tax Fees" consist of fees billed for professional services rendered for tax compliance and tax service.

There were no fees for audit related services or other services for fiscal years 2003 and 2002.

The Audit Committee has considered and has agreed that the provision of services as described above are compatible with maintaining Deloitte's independence.

The Audit Committee pre-approves the engagement of Deloitte for all professional services. The pre-approval process generally involves the full Audit Committee evaluating and approving the particular engagement prior to the commencement of services.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized, May 28, 2004.

E Com Ventures, Inc.

By: /s/ MICHAEL W. KATZ
Michael W. Katz,
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ A. MARK YOUNG
A. Mark Young,
Chief Financial Officer
(Principal Accounting Officer)

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

SIGNATURE	TITLE	D
/s/ MICHAEL W. KATZ Michael W. Katz	Chief Executive Officer and President (Principal Executive Officer)	
/s/ STEPHEN NUSSDORF Stephen Nussdorf	Chairman of the Board of Directors	
/s/ JEFFREY GELLER Jeffrey Geller	President and Chief Operating Officer of Perfumania, Inc.	
/s/ A. MARK YOUNG A. Mark Young	Chief Financial Officer, (Principal Accounting Officer)	
/s/ DONOVAN CHIN	Chief Financial Officer Perfumania, Inc.,	

Donovan Chin

/s/ CAROLE ANN TAYLOR ------------------------------ Carole Ann Taylor	Director
/s/ JOSEPH BOUHADANA ------------------------------ Joseph Bouhadana	Director
/s/ PAUL GARFINKLE ------------------------------ Paul Garfinkle	Director

EXHIBIT	DESCRIPTION
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002