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E COM VENTURES INC
Form 10-K/A
May 31, 2005

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

FORM 10-K/A

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

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

For the fiscal year ended January 29, 2005

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
(State or other jurisdiction of
incorporation or organization)

65-0977964
(I.R.S. Employer
Identification No.)

251 International Parkway
Sunrise, Florida
(Address of principal executive offices)

33325
(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 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

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The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$10.6 million as of July 30, 2004, based on a market price of \$9.06 per share. 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 22, 2005: 2,941,935 shares

Documents Incorporated By Reference

None

EXPLANATORY NOTE

This amendment number 1 to our Form 10-K is being filed to include information required by Part III of the Form 10-K.

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 of Directors |
| Michael W. Katz | 57 | President, Chief Executive Officer and |
| A. Mark Young | 44 | Chief Financial Officer |
| Donovan Chin | 38 | Chief Financial Officer of Perfumania, |
| Leon Geller | 49 | Vice President of Purchasing, Perfuman |
| Alan Grobman | 34 | Vice President of Logistics and Distri |
| Joel Lancaster | 45 | Vice President of Stores, Perfumania, |
| Carole Ann Taylor(1) (2) (3) | 58 | Director |
| Joseph Bouhadana(1) (2) (3) | 35 | Director |
| Paul Garfinkle(1) | 63 | Director |

- (1) Member of Audit Committee. Mr. Garfinkle serves as Chairman of the 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 President and Chief Executive Officer. He was also appointed a Director. Mr. Katz has served in various capacities at Quality King and its affiliated companies; primarily

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responsible for overseeing administration, finance, mergers and acquisitions. Mr. Katz has participated in the design and implementation of the business strategy that 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 as the Chief Executive Officer and a Director of Model Reorg., Inc., an affiliate of Quality King which sells wholesale and retail designer fragrances. 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.

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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.

Donovan Chin -- serves as the Chief Financial Officer of Perfumania, Inc., our wholly owned subsidiary ("Perfumania"). He was appointed Corporate Secretary in February 1999, Director in March 1999 (through February 2004), 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 -- Leon Geller joined us in March 2001 as Vice President of Purchasing of Perfumania. Prior to joining us, Mr. Geller was the Executive Director of a textile distributor in Peru.

Alan Grobman -- has served as the Vice President of Logistics and Distribution for Perfumania since February 2003. He also served as our Director of Fulfillment from November 2000 to February 2003. From March 1999 to October 2000, Mr. Grobman was Plant Manager of a Peruvian manufacturer of food and specialty packaging.

Joel Lancaster -- has served as the Vice President of Stores for Perfumania 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. She is the owner of Little Havana to Go, Little Havana's official souvenir store in historic Little Havana, Miami, Florida, specializing in art, music, Cuban memorabilia, cigars and clothing. She is also the owner of Miami To Go, a retail and wholesale Miami souvenir company and a partner in Miami Airport Duty Free Joint Venture, owners of the 12 duty free stores at Miami International Airport. Ms. Taylor is also a board member for the Performing Arts Center Trust of Miami, the City of Miami International Trade Board, the World Trade Center, the Academy of Travel and Tourism, the Omni Advisory Board, the Greater Miami Host Committee, the Visitor Industry Council and the Miami Dade Community College School of Aviation & Visitor Services Advisory Committee. She is a member of the Executive Committee of the Greater Miami Convention & Visitors Bureau. Ms. Taylor is a member of our Audit, Compensation and Stock Option Committees.

Joseph Bouhadana -- was appointed a Director in September 2002. Mr. Bouhadana has served as Corporate Director of Technology for INTCOMEX, the

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largest distributor of branded computer components, generic accessories and networking peripherals into the Latin American and Caribbean regions with 13 offices in 10 countries, since January 2005. He 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, from September 2000 to January 2005. 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.

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. Mr. Garfinkle is the Chairman of the Audit Committee.

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Audit Committee

Our Board of Directors has a standing Audit Committee comprised of Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle. Each of the members of the Audit Committee is independent as defined in the Marketplace Rules of The Nasdaq Stock Market. The Board of Directors designated Paul Garfinkle the "audit committee financial expert" as defined by SEC rules.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and persons who own more than 10 percent of our common stock, to file with the 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 29, 2005, we believe a filing deficiency under Section 16(a) occurred due to a late report filed by Ilia Lekach with respect to a Form 4 relating to three transactions and did not, as of the date hereof, file another Form 4 with respect to four transactions. We also believe a late report was filed for one transaction for both Glenn and Stephen Nussdorf.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information concerning compensation for the fiscal years ended January 29, 2005 (Fiscal 2004), January 31, 2004 (Fiscal 2003) and February 1, 2003 (Fiscal 2002) 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 2004 (collectively, the "Named Executive Officers").

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SUMMARY COMPENSATION TABLE

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| Name and Principal Position | Fiscal Year | Annual Compensation | | | Long-term Awards | |
|--|-------------|---------------------|-----------|----------------------------------|-----------------------------|---------|
| | | Salary(\$) | Bonus(\$) | Other Annual Compensation(\$)(1) | Restricted Stock Awards(\$) | Options |
| Michael W. Katz President and Chief Executive Officer | 2004 | (3) | -- | -- | -- | |
| | 2003 | -- | -- | -- | -- | |
| | 2002 | -- | -- | -- | -- | |
| Ilia Lekach (4) Formerly Chairman of the Board and Chief Executive Officer | 2004 | 16,962 | -- | -- | -- | |
| | 2003 | 509,101 | -- | 1,012,521 | -- | 125,000 |
| | 2002 | 441,000 | -- | -- | -- | |
| A. Mark Young Chief Financial Officer | 2004 | 227,189 | -- | -- | -- | |
| | 2003 | 217,640 | -- | 472,072 | -- | 25,000 |
| | 2002 | 196,153 | -- | -- | -- | |
| Donovan Chin Chief Financial Officer, Perfumania, Inc. and Secretary | 2004 | 211,615 | -- | -- | -- | |
| | 2003 | 205,842 | -- | -- | -- | |
| | 2002 | 200,857 | -- | -- | -- | |
| Leon Geller Vice President of Purchasing Perfumania, Inc. | 2004 | 206,044 | -- | -- | -- | |
| | 2003 | 181,209 | -- | 183,899 | -- | 12,500 |
| | 2002 | 173,166 | -- | -- | -- | |
| Joel Lancaster Vice President of Sales Perfumania, Inc. | 2004 | 138,298 | -- | -- | -- | |
| | 2003 | 149,371 | -- | 145,167 | -- | 16,200 |
| | 2002 | 131,945 | -- | -- | -- | |

(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 the 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 their 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.

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- (3) Michael W. Katz was not paid by the Company during Fiscal 2004. An aggregate amount of \$325,000 was accrued during Fiscal 2004 and subsequently contributed to the Company's additional Paid-in-Capital. The Company began paying Michael W. Katz salary in the second quarter of Fiscal 2005.
- (4) Ilia Lekach, our former Chairman and Chief Executive Officer, was terminated on February 10, 2004.

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OPTIONS GRANTS TABLE

There were no option grants to any Named Executive Officers in Fiscal 2004.

Total stock option grants during Fiscal 2004 were 5,334.

STOCK OPTION EXERCISES AND YEAR-END OPTION VALUE TABLE

The following table sets forth certain information concerning option exercises in Fiscal 2004 and the number of unexercised stock options held by the Named Executive Officers as of January 29, 2005.

| Name | Number of Shares Acquired on Exercise | Value Realized | Number of Unexercised Options at Fiscal Year-End (#) Exercisable / Unexercisable (1) | Value of Unexercised In-The-Money Options Fiscal Year-End (\$)(1)(2) Exercisable Unexercisable |
|-----------------|---|-------------------|---|--|
| Michael W. Katz | -- | -- | 0/0 | \$0/0 |
| Ilia Lekach | 443,750 | \$3,798,977 | 0/0 | \$0/0 |
| A. Mark Young | -- | -- | 50,000/0 | \$442,500/0 |
| Donovan Chin | -- | -- | 27,250/0 | \$77,353/0 |
| Leon Geller | 15,000 | \$ 93,852 | 7,704/0 | \$84,513/0 |
| Joel Lancaster | 8,500 | \$ 67,485 | 24,004/0 | \$102,444/0 |

- (1) Includes options issued to such persons as a result of the change in 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 \$14.49 per share on January 29, 2005.

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

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of our common stock upon re-election to the Board, in both instances at an exercisable 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, our former Chairman and Chief Executive Officer. 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 certain specified net income levels were met. 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).

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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).

As a consequence of the change of control described below, Mr. Young, Mr. Geller, Mr. Lancaster and Mr. Grobman received approximately \$472,000, \$184,000, \$145,000 and \$125,000, respectively, under the terms of their then existing 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 2004 fiscal year: Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle. 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 16, 2005 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

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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.

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Common Stock Beneficially Owned

| Name and Address of Beneficial Owner | Total Number of Shares Beneficially Owned | Percent of Outst |
|--|--|---------------------|
| Glen and Stephen Nussdorf | 1,557,589 (1) (2) (8) (9) | 52. |
| Ilia Lekach | 300,000 (1) (3) (4) | 10. |
| A. Mark Young | 51,925 (1) (5) | 1. |
| Donovan Chin | 27,250 (1) (5) | * |
| Joel Lancaster | 24,454 (1) (5) | * |
| Leon Geller | 15,000 (1) (5) | * |
| Alan Grobman | 10,000 (1) (5) | * |
| Carole A. Taylor | 5,000 (1) (5) | * |
| Joseph Bouhadana | 1,000 (1) (5) | * |
| Paul Garfinkle | 0 (1) (8) | * |
| Michael W. Katz | 0 (1) (8) | * |
| Parlux Fragrances, Inc | 378,102 (6) | 12. |
| All directors and executive officers as a group (10 persons) | 1,692,218 (7) | 54.9 |

*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 if 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) The principal business address of Messrs. Glenn and Stephen Nussdorf is 2060 Ninth Avenue, Ronkonkoma, New York 11779.
- (3) The address of Ilia Lekach is 3725 SW 30th Avenue, Ft. Lauderdale, Florida 33154.
- (4) Ilia Lekach jointly owns with his spouse the shares set forth opposite his respective name.
- (5) 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 16, 2005 in the following amounts: A. Mark Young (50,000); Donovan Chin (27,250); Leon Geller (15,000); Alan Grobman (10,000); Joel Lancaster (24,004); Carole A. Taylor (5,000); and Joseph Bouhadana (2,000).

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- (6) 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.
- (7) Includes shares of common stock issuable upon the exercise of stock options currently exercisable or exercisable within 60 days of May 16, 2005, as set forth in Note 5 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 granted to each of Michael Katz, Paul Garfinkle and Stephen Nussdorf. Each of these directors, who are not employees of the Company, may in the future, be granted options to acquire shares.

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- (9) With respect to the beneficial ownership of the Nussdorfs, includes 444,445 shares of common stock issuable on conversion of a \$5,000,000 Subordinated Convertible Note issued by the Company to the Nussdorfs in December 2004. See further discussion at "Change of Control" in Item 12 of this Form 10-K/A.

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 exercisable in specified installments.

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 had exercised his options to acquire all 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 38% of the total number of shares of the Company common stock currently outstanding.

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. On December 9, 2004 the Company issued a Subordinated Convertible Note (the Convertible Note") in exchange for the \$5,000,000 subordinated secured demand loan. The Convertible Note bears interest at the prime rate plus 1%, requires quarterly interest payments and is secured by a security interest in the Company's assets pursuant to a Security Agreement, by and among the Company and the Nussdorfs. There are no prepayment penalties and the convertible Note is subordinate to all bank indebtedness. The Convertible note is payable in January 2007 and allows the Nussdorfs to convert the Convertible Note into shares of the Company's common stock at a conversion

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price of \$11.25, which equals the closing market price of the Company's common stock on December 9, 2004.

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 President and Chief Executive Officer.

Certain Relationships and Related Party Transactions

As a consequence of the change in control provisions set forth in the employment agreements of Mr. Lekach, various executive officers and a consultant, the Company issued a total of 244,252 options for the Company's common stock in January 2004. Since the various exercise prices of the options were less than the market price of the Company's common stock on the grant date, the Company incurred a non-cash charge of approximately \$2,286,000. In addition, pursuant to the same employment and consulting agreements, the Company 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 the accompanying consolidated statement of operations for the year ended January 31, 2004. See Note 6 for a discussion of the Convertible Note issued to the Nussdorfs.

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The Nussdorfs are officers and principals of Quality King. During fiscal year 2004, the Company purchased approximately \$39,317,000 of merchandise from Quality King and sold approximately \$23,570,000 of different merchandise to Quality King. In fiscal year 2003, there were approximately \$5,960,000 of purchases from Quality King and approximately \$11,366,000 of merchandise sold to Quality King. The amounts due to Quality King and its affiliates at January 29, 2005 and January 31, 2004, were approximately \$13,234,000 and \$797,000 respectively.

Notes receivable from Ilia Lekach, the Company's former Chairman of the Board of Directors and Chief Executive Officer, was \$327,311 as of January 31, 2004. The notes were unsecured, matured in five years and bore interest at prime plus 1% per annum. Principal and interest were payable in full at maturity. Total interest income recognized during fiscal years 2004 and 2003 was approximately \$2,000 and \$16,000, 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 paid in March 2004.

Parlux Fragrances, Inc. ("Parlux") owns approximately 13% of the Company's outstanding common stock. Purchases of products from Parlux, whose Chairman of the Board of Directors and Chief Executive Officer is Ilia Lekach, amounted to approximately \$38,360,000, \$27,701,000 and \$11,613,000 in fiscal years 2004, 2003 and 2002, representing approximately 20%, 23% and 10%, respectively, of the Company's total purchases. The amount due to Parlux on January 29, 2005 and January 31, 2004, was approximately \$9,994,000 and \$14,506,000, respectively. Accounts payable due to Parlux are non-interest bearing. The amounts due to Parlux, exclusive of the secured note payable described below, are included in the accounts payable affiliates in the accompanying consolidated balance sheets.

On June 30, 2003, Perfumania signed a \$5,000,000 subordinated note

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agreement with Parlux. The note was in consideration for the reduction of \$5,000,000 in trade payables due to Parlux in the same year. The note was due on February 29, 2004, with various periodic principal payments, bore interest at prime plus 1% and was subordinated to all bank related indebtedness. As of January 31, 2004 the outstanding principal balance due on the note was \$250,000 and included in the amount due Parlux of \$14,506,000 at January 31, 2004. The note was paid in full in February 2004, in accordance with its terms.

The Company 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 the Company, and a brother of Ilia Lekach. The amount due to Zalman Lekach's company at January 31, 2004 was approximately \$1,617,000, and is included in accounts payable affiliates in the accompanying consolidated balance sheets.

The Company 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 at January 31, 2004 and is included in accounts payable affiliates in the accompanying consolidated balance sheets.

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Principal Accountant Fees Services

The aggregate fees billed by Deloitte & Touche LLP ("Deloitte") for fiscal years 2004 and 2003 are as follows:

| Fees | Fiscal 2004 | Fiscal 2003 |
|------------------------|-------------|-------------|
| Audit Fees (1) | \$ 285,000 | \$ 289,700 |
| Audit Related Fees (2) | 1,500 | 54,600 |
| Tax Fees (3) | 19,005 | 10,325 |
| Total Fees | \$ 305,505 | \$ 354,625 |

- (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) "Audit Related Fees" in Fiscal 2004 consist of professional fees for providing an independent auditors' consent. In Fiscal 2003, charges represent professional fees rendered in connection with the accounting treatment of an acquisition.
- (3) "Tax Fees" consist of fees billed for professional services rendered for tax compliance and tax service.

There were no fees billed to us by Deloitte for services rendered, other than the services covered above under "Audit Fees", "Audit Related Fees" and "Tax Fees" for fiscal years 2004 and 2003.

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

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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.

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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 27, 2005.

E Com Ventures, Inc.

By: /s/ MICHAEL W. KATZ

Michael W. Katz,
President and Chief Executive Officer
(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 | |
|---|---|-------|
| ----- | ----- | ----- |
| /s/ MICHAEL W. KATZ ----- Michael W. Katz | President and Chief Executive Officer (Principal Executive Officer) | M |
| /s/ STEPHEN NUSSDORF ----- Stephen Nussdorf | Chairman of the Board of Directors | M |
| /s/ A. MARK YOUNG ----- A. Mark Young | Chief Financial Officer, (Principal Accounting Officer) | M |
| /s/ DONOVAN CHIN ----- Donovan Chin | Chief Financial Officer Perfumania, Inc., | M |
| /s/ CAROLE ANN TAYLOR | Director | M |

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Carole Ann Taylor

/s/ JOSEPH BOUHADANA

Director

Joseph Bouhadana

/s/ PAUL GARFINKLE

Director

Paul Garfinkle

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| 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 |

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