

E COM VENTURES INC  
Form DEF 14A  
November 07, 2006  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**E COM VENTURES, INC.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration No.:

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

**E Com Ventures, Inc.**

**251 International Parkway**

**Sunrise, Florida 33325**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held On December 5, 2006**

*To our Shareholders:*

The Annual Meeting of Shareholders of E Com Ventures, Inc. will be held at 2:00 p.m. on Tuesday, December 5, 2006, at the E Com Ventures, Inc. Corporate Office, 251 International Parkway, Sunrise, Florida 33325, for the purpose of considering and acting upon the following:

1. Election of five members to our Board of Directors to hold office until our 2007 Annual Meeting of Shareholders or until their successors are duly elected and qualified;
2. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm; and
3. Any other matters that properly come before the Annual Meeting.

The Board of Directors is not aware of any other business scheduled for the Annual Meeting. Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned.

Shareholders of record at the close of business on October 11, 2006 are entitled to notice of, and to vote at, the Annual Meeting or at any postponements or adjournments of the Annual Meeting.

By Order of the Board of Directors,

*/s/ Donovan Chin*  
Donovan Chin  
*Chief Financial Officer*

Sunrise, Florida

November 7, 2006

**YOUR VOTE IS IMPORTANT**

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.**

**Table of Contents**

**TABLE OF CONTENTS**

|                                                                                                    | <b>Page</b> |
|----------------------------------------------------------------------------------------------------|-------------|
| <u>About the Meeting</u>                                                                           | 1           |
| <u>What is the purpose of the Annual Meeting?</u>                                                  | 1           |
| <u>Who is entitled to vote at the Annual Meeting?</u>                                              | 1           |
| <u>Who can attend the Annual Meeting?</u>                                                          | 1           |
| <u>What constitutes a quorum?</u>                                                                  | 1           |
| <u>How do I vote?</u>                                                                              | 2           |
| <u>Can I vote by telephone or electronically?</u>                                                  | 2           |
| <u>Can I change my vote after I return my proxy card?</u>                                          | 2           |
| <u>What are the Board's recommendations?</u>                                                       | 2           |
| <u>What vote is required to approve each proposal?</u>                                             | 3           |
| <u>Who pays for the preparation of the proxy?</u>                                                  | 3           |
| <u>Proposal 1 Election of Directors</u>                                                            | 4           |
| <u>Security Ownership of Certain Beneficial Owners and Management</u>                              | 7           |
| <u>Board of Directors Committees</u>                                                               | 8           |
| <u>Compensation of Executive Officers and Directors</u>                                            | 10          |
| <u>Report on Executive Compensation</u>                                                            | 15          |
| <u>Report of the Audit Committee</u>                                                               | 16          |
| <u>Certain Relationships and Related Transactions</u>                                              | 18          |
| <u>Performance Graph</u>                                                                           | 19          |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>                                     | 19          |
| <u>Proposal 2 Ratification of the Appointment of Independent Registered Public Accounting Firm</u> | 20          |
| <u>Other Business</u>                                                                              | 21          |
| <u>Contacting the Board of Directors</u>                                                           | 21          |
| <u>Shareholder Proposals for the 2007 Annual Meeting</u>                                           | 21          |

**Table of Contents**

**E COM VENTURES, INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

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**PROXY STATEMENT**

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This Proxy Statement contains information related to our Annual Meeting of Shareholders to be held on, Tuesday, December 5, 2006, beginning at 2:00 p.m., at the E Com Ventures, Inc. Corporate Office, 251 International Parkway, Sunrise, Florida 33325, and at any adjournments or postponements thereof. The approximate date that this Proxy Statement, the accompanying Notice of Annual Meeting and the enclosed Form of Proxy are first being sent to shareholders is November 7, 2006. You should review this information in conjunction with our 2005 Annual Report to Shareholders, which accompanies this Proxy Statement.

**ABOUT THE ANNUAL MEETING**

***What is the purpose of the Annual Meeting?***

At the Annual Meeting, shareholders will vote on the election of directors and ratification of the appointment of our independent registered public accounting firm. In addition, we will report on our performance and respond to questions from our shareholders.

***Who is entitled to vote at the Annual Meeting?***

Only shareholders of record at the close of business on the record date, October 11, 2006, are entitled to receive notice of the Annual Meeting and to vote shares of our common stock that they held on the record date, or any postponements or adjournments of the Annual Meeting. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted upon.

***Who can attend the Annual Meeting?***

All shareholders as of the record date, or their duly appointed proxies, may attend. If your shares are held in the name of your broker or bank, you will need to bring a copy of a recent brokerage statement reflecting your stock ownership as of the record date and valid picture identification.

***What constitutes a quorum?***

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of all of the shares of common stock outstanding on the record date will constitute a quorum, permitting us to conduct business at the Annual Meeting. As of the record date, approximately 3,019,000 shares of our common stock were outstanding. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting for purposes of a quorum, but will not be counted as votes cast for or against any given matter. An independent inspector of elections appointed for the annual meeting will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the annual meeting.

## **Table of Contents**

If less than a majority of outstanding shares entitled to vote are represented at the Annual Meeting, a majority of the shares present at the Annual Meeting may adjourn the Annual Meeting to another date, time or place, and notice need not be given of the new date, time or place if the new date, time or place is announced at the Annual Meeting before an adjournment is taken.

### ***How do I vote?***

If you complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct. If you are a registered shareholder and you attend the Annual Meeting, you may deliver your completed proxy card in person. Street name shareholders who wish to vote at the Annual Meeting will need to obtain a proxy from the institution that holds their shares.

### ***Can I vote by telephone or electronically?***

If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

### ***Can I change my vote after I return my proxy card?***

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with our Secretary either a notice of revocation or a duly executed proxy bearing a later date. You may also change your vote by attending the Annual Meeting in person and voting. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and vote, although attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

### ***What are the Board's recommendations?***

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our Board of Directors. The recommendation of the Board of Directors is set forth with the description of each proposal in this Proxy Statement. In summary, the Board of Directors recommends a vote:

*for* the election of the nominated slate of directors; and

*for* the ratification of the appointment of Deloitte & Touche LLP, as our independent registered public accounting firm.

The Board of Directors does not know of any other matters that may be brought before the Annual Meeting, nor does it foresee or have reason to believe that the proxy holders will have to vote for substitute or alternate Board of Directors nominees. In the event that any other matter should properly come before the Annual Meeting or any Board of Directors nominee is not available for election, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in accordance with their best judgment.

## **Table of Contents**

### ***What vote is required to approve each proposal?***

**Election of Directors.** The affirmative vote (either in person or by proxy) of a plurality of the votes cast at the Annual Meeting is required for the election of directors. This means that candidates who receive the highest number of votes are elected. Abstentions and broker non-votes are not votes cast and are not counted in determining whether a nominee is elected. A properly executed proxy marked to **Withhold Authority** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Shareholders do not have the right to cumulate their votes for directors.

**Other Proposals.** The affirmative vote (either in person or by proxy) of a majority of the votes cast at the Annual Meeting is required for approval of the ratification of the appointment of Deloitte & Touche LLP. Abstentions and broker non-votes are treated as shares present or represented and entitled to vote on such matters, and thus have the same effect as negative votes. A properly marked **ABSTAIN** with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum.

If you hold your shares in **street name** through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such **broker non-votes** will, however, be counted in determining whether there is a quorum.

### ***Who pays for the preparation of the proxy?***

We will pay the cost of preparing, assembling and mailing the Proxy Statement, Notice of Annual Meeting and enclosed proxy card. In addition to the use of mail, our employees may solicit proxies personally and by telephone. Our employees will receive no compensation for soliciting proxies other than their regular salaries. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to the beneficial owners of our common stock and to request authority for the execution of proxies, and we may reimburse such persons for their expenses incurred in connection with these activities.

Our principal executive offices are located at 251 International Parkway, Sunrise, Florida 33325, and our telephone number is (954) 335-9100. Any shareholder of record as of the record date may look at the complete list of the shareholders entitled to vote at the Annual Meeting. The list will be available at our offices for a period of ten days prior to the Annual Meeting and at the Annual Meeting itself.



**Table of Contents****PROPOSAL 1 ELECTION OF DIRECTORS****Directors Standing for Election**

At the Annual Meeting, the shareholders will elect five directors, each of whom will serve for a term expiring at the 2007 Annual Meeting of Shareholders, or until his or her successor has been duly elected and qualified.

The Board of Directors has no reason to believe that any nominee will refuse or be unable to serve if elected. However, if any of them should become unavailable to serve as director, the Board of Directors may designate a substitute nominee or the number of directors may be reduced in accordance with our bylaws. If the Board of Directors designates a substitute nominee, the persons named as proxies will vote for the substitute nominee designated by the Board of Directors.

The directors standing for election are:

Stephen Nussdorf

Michael W. Katz

Carole Ann Taylor

Joseph Bouhadana

Paul Garfinkle

All of our director nominees are currently serving as our directors.

**Executive Officers and Directors**

The following are our executive officers and directors:

| <b>Name</b>                | <b>Age</b> | <b>Position</b>                                                |
|----------------------------|------------|----------------------------------------------------------------|
| Stephen Nussdorf           | 55         | Chairman of the Board of Directors                             |
| Michael W. Katz            | 58         | President, Chief Executive Officer and Director                |
| Donovan Chin               | 40         | Chief Financial Officer and Secretary                          |
| Leon Geller                | 51         | Vice President of Purchasing, Perfumania, Inc.                 |
| Alan Grobman               | 36         | Vice President of Logistics and Distribution, Perfumania, Inc. |
| Joel Lancaster             | 47         | Vice President of Stores, Perfumania, Inc.                     |
| Carole Ann Taylor(1)(2)(3) | 60         | Director                                                       |
| Joseph Bouhadana(1)(2)(3)  |            | Director                                                       |
|                            | 36         |                                                                |
| Paul Garfinkle(1)          | 65         | Director                                                       |

(1) Member of Audit Committee. Mr. Garfinkle serves as Chairman of the Audit Committee.



**Table of Contents**

- (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 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 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.

**Donovan Chin** was appointed Chief Financial Officer on September 6, 2006. He also 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,

**Table of Contents**

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, a large distributor of branded computer components, generic accessories and networking peripherals into the Latin America and Caribbean regions with thirteen offices in ten 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 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.

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

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL NOMINEES NAMED ABOVE TO THE BOARD OF DIRECTORS.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows the amount of common stock beneficially owned as of October 27, 2006 by: (a) each of our directors and nominees for director, (b) each of our executive officers named in the Executive Compensation Table, as described below, (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<br>Beneficially Owned | Percent of Shares<br>Outstanding |
|-------------------------------------------------------------|----------------------------------------------|----------------------------------|
| Glenn and Stephen Nussdorf                                  | 1,557,589(1)(2)(4)(5)                        | 44.7%                            |
| Michael W. Katz                                             | 100,000(1)(3)                                | 3.2%                             |
| Donovan Chin                                                | 27,250(1)(3)                                 | *                                |
| Leon Geller                                                 | 8,110(1)(3)                                  | *                                |
| Alan Grobman                                                | 4,700(1)(3)                                  | *                                |
| Joseph Bouhadana                                            | 3,000(1)(3)                                  | *                                |
| Paul Garfinkle                                              | 2,500(1)(3)                                  | *                                |
| Carole A. Taylor                                            | 1,000(1)(3)                                  | *                                |
| All directors and executive officers as a group (8 persons) | 1,704,149(4)                                 | 46.9%                            |

\* 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 (the Nussdorfs) is 2060 Ninth Avenue, Ronkonkoma, New York 11779.
- (3) 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 October 27, 2006 in the following amounts: Michael W. Katz (100,000); Donovan Chin (27,250); Leon Geller (8,110), Alan Grobman (4,700); Joseph Bouhadana (3,000); Paul Garfinkle (2,500) and Carole A. Taylor (1,000).

**Table of Contents**

- (4) 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 his appointment to the Board but not granted to Stephen Nussdorf. Mr. Nussdorf, who is not an employee of the Company, may in the future, be granted options to acquire shares.
  
- (5) With respect to the beneficial ownership of the Nussdorfs, this includes 444,445 shares of common stock issuable on conversion of a \$5,000,000 Subordinated Convertible Note issued by the Company. See Certain Relationships and Related Transactions.

**BOARD OF DIRECTORS COMMITTEES**

The Board of Directors has determined that the following three individuals of the five members of the Board of Directors are independent as defined by Nasdaq Marketplace Rules: Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle (the Independent Board Members). Our Board of Directors has a standing Audit Committee, Compensation Committee and Stock Option Committee.

We do not have a nominating or similar committee. The Independent Board Members perform the functions of a nominating committee including reviewing and recommending candidates for directors. If a shareholder wishes to recommend a nominee for director, written notice should be sent to the Corporate Secretary in accordance with the instructions set forth later in this proxy statement under Shareholder Proposals for the 2007 Annual Meeting. All recommendations should be accompanied by a complete statement of such person's qualifications (including education, work experience, knowledge of the Company's industry, membership on the Board of Directors of another corporation, and civic activity) and an indication of the person's willingness to serve. The Independent Board Members will evaluate the suitability of potential candidates nominated by shareholders in the same manner as other candidates identified to the Independent Board Members. In making its nominations, the Independent Board Members identify candidates who meet the current challenges and needs of the Board of Directors. In making such decisions, the Independent Board Members consider, among other things, an individual's business experience, industry experience, financial background and experiences and whether the individual meets the independence requirements of the Nasdaq Stock Market. The Independent Board Members use multiple sources for identifying and evaluating nominees for directors including referrals from current directors, recommendations by stockholders and input from third party executive search firms.

For the fiscal year ended January 28, 2006, Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle were the members of our Audit Committee. The Audit Committee is governed by a written charter adopted by the Board of Directors. Each of the members of the Audit Committee is independent as defined in the Marketplace Rules of The Nasdaq Stock Market. The duties and responsibilities of the Audit Committee include: (a) assisting our Board in its oversight of the integrity of our financial statements, (b) the selection and retention of our independent registered public accounting firm and any termination of engagement, (c) reviewing the scope and results of audits and other services provided by our independent registered public accounting firm, (d) reviewing our significant accounting policies and internal controls and (e) having general responsibility for all related auditing matters. The Board of Directors designated

**Table of Contents**

Paul Garfinkle the audit committee financial expert as defined by SEC rules. The Audit Committee held 4 meetings during the fiscal year ended January 28, 2006.

For the fiscal year ended January 28, 2006, Carole Ann Taylor and Joseph Bouhadana were the members of our Compensation Committee. The Compensation Committee reviews and approves the compensation of our executive officers, including salaries, bonuses and benefit plans. The Compensation Committee met once during the fiscal year ended January 28, 2006.

For the fiscal year ended January 28, 2006, Carole Ann Taylor and Joseph Bouhadana were the members of the Stock Option Committee. The Stock Option Committee administers our 2000 Stock Option Plan and the 2000 Directors Stock Option Plan. The Stock Option Committee held no meetings during the fiscal year ended January 28, 2006.

During the fiscal year ended January 28, 2006, our Board of Directors held 5 meetings. During the last fiscal year, no director attended fewer than 75 percent of (i) the meetings of our Board of Directors held during the period they served on the Board, and (ii) the meetings of committees of our Board of Directors held during the period they served on such committees.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS****Executive Compensation**

The following tables set forth certain information concerning compensation for the fiscal years ended January 28, 2006 (Fiscal 2005), January 29, 2005 (Fiscal 2004) and January 31, 2004 (Fiscal 2003) of the Chief Executive Officer and the four most highly compensated executive officers who were serving as executive officers at the end of the last fiscal year whose total annual salary and bonus exceeded \$100,000 for Fiscal 2005 (collectively, the Named Executive Officers ).

**SUMMARY COMPENSATION TABLE**

| Name and Principal Position                                                   | Fiscal Year | Annual Compensation |           |                                  | Long-term Compensation      |            |         | All Other Compensation(\$) |
|-------------------------------------------------------------------------------|-------------|---------------------|-----------|----------------------------------|-----------------------------|------------|---------|----------------------------|
|                                                                               |             | Salary(\$)          | Bonus(\$) | Other Annual Compensation(\$)(1) | Restricted Stock Awards(\$) | Options(#) | Payouts |                            |
| Michael W. Katz<br>President and<br>Chief Executive Officer                   | 2005        | 200,000(2)          |           |                                  |                             | 100,000(3) |         |                            |
|                                                                               | 2004        | (2)                 |           |                                  |                             |            |         |                            |
|                                                                               | 2003        |                     |           |                                  |                             |            |         |                            |
| A. Mark Young (4)<br>Chief Financial Officer                                  | 2005        | 236,561             |           |                                  |                             |            |         |                            |
|                                                                               | 2004        | 227,189             |           |                                  |                             |            |         |                            |
|                                                                               | 2003        | 217,640             |           | 472,072                          |                             | 25,000     |         |                            |
| Donovan Chin<br>Chief Financial Officer,<br>Perfumania, Inc. and<br>Secretary | 2005        | 224,322             |           |                                  |                             |            |         |                            |
|                                                                               | 2004        | 211,615             |           |                                  |                             |            |         |                            |
|                                                                               | 2003        | 205,842             |           |                                  |                             |            |         |                            |
| Leon Geller<br>Vice President of<br>Purchasing<br>Perfumania, Inc.            | 2005        | 197,581             |           |                                  |                             |            |         |                            |
|                                                                               | 2004        | 190,173             |           |                                  |                             |            |         |                            |
|                                                                               | 2003        | 181,209             |           | 183,899                          |                             | 12,500     |         |                            |
| Joel Lancaster<br>Vice President of Sales<br>Perfumania, Inc.                 | 2005        | 161,215             |           |                                  |                             |            |         |                            |
|                                                                               | 2004        | 138,298             |           |                                  |                             |            |         |                            |
|                                                                               | 2003        | 149,371             |           | 145,167                          |                             | 16,252     |         |                            |



**Table of Contents**

- (1) Amounts included represent payments made to the persons indicated pursuant to the terms of their then employment agreements as a result of a change of control, described herein. 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) 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's salary in the second quarter of Fiscal 2005.
- (3) Michael W. Katz was granted 100,000 fully vested options during Fiscal 2005 at an exercise price of \$12.99, the closing market price of the Company's common stock on the grant date.
- (4) A. Mark Young resigned effective July 28, 2006.

**Table of Contents****Options Grant Table**

The following table sets forth certain information concerning grants of stock options made during Fiscal 2005 to the Named Executive Officers.

| Name            | Number Underlying Granted | % of Total Options Granted to Employees in Fiscal Year 2005(1) | Exercise Price Per Share | Expiration Date | Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation |              |
|-----------------|---------------------------|----------------------------------------------------------------|--------------------------|-----------------|-------------------------------------------------------------------------------|--------------|
|                 |                           |                                                                |                          |                 | For Option Term 5% (2)                                                        | 10% (2)      |
| Michael W. Katz | 100,000                   | 90%                                                            | \$ 12.99                 | 6/29/2016       | \$ 816,934                                                                    | \$ 2,070,271 |

(1) Total stock option grants during Fiscal 2005 were 110,666.

(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 expirations date. These assumed rates of appreciation do not represent our estimate or projection of the appreciation of shares of our common stock.

**Options Exercised in Last Fiscal Year and Fiscal Year-End Option Values**

The following table sets forth certain information regarding option exercises by the Named Executive Officers during Fiscal 2005, and options held by such executive officers on January 28, 2006:

| Name            | Number of Shares Acquired on Exercise | Value Realized | Number of Unexercised Options at Fiscal Year-End (#) Exercisable / Unexercisable | Value of Unexercised In-The-Money Options at Fiscal Year-End (\$)(1) |
|-----------------|---------------------------------------|----------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------|
|                 |                                       |                |                                                                                  | Exercisable / Unexercisable                                          |
| Michael W. Katz |                                       |                | 100,000/0                                                                        | \$ 377,000/0                                                         |
| A. Mark Young   |                                       |                | 50,000/0                                                                         | \$ 556,000/0                                                         |
| Donovan Chin    |                                       |                | 27,250/0                                                                         | \$ 139,210/0                                                         |
| Joel Lancaster  |                                       |                | 24,004/0                                                                         | \$ 156,933/0                                                         |
| Leon Geller     | 1,890                                 | \$ 22,642      | 8,110/0                                                                          | \$ 107,376/0                                                         |

(1) Based on the spread between the exercise price of the options and the closing price of \$16.76 per share on January 28, 2006.

**Table of Contents****Equity Compensation Plan Information**

This table summarizes share and exercise price information about our equity compensation plans as of January 28, 2006

| <b>Plan Category</b>                                       | <b>Number of Securities<br/>To Be Issued</b> | <b>Weighted Average<br/>Exercise Price<br/>Of<br/>Outstanding Options,<br/>Warrants and<br/>Rights</b> | <b>Number of Securities<br/>Available For Future<br/>Issuance Under Equity<br/>Compensation Plans</b> |
|------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders     | 239,788                                      | \$ 10.27                                                                                               | 232,169                                                                                               |
| Equity compensation plans not approved by security holders |                                              |                                                                                                        |                                                                                                       |
| <b>TOTAL</b>                                               | <b>239,788</b>                               | <b>\$ 10.27</b>                                                                                        | <b>232,169</b>                                                                                        |

**Director Compensation**

We pay each non-employee director a \$10,000 annual retainer, and reimburse their expenses in connection with their activities as directors. In addition, non-employee directors are eligible to receive stock options under the 2000 Directors Stock Option Plan.

The 2000 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 at each annual meeting of the Company's shareholders, 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**

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 pursuant to which Stephen Nussdorf and Glenn Nussdorf ultimately acquired 720,954 shares of the Company's common stock beneficially owned by Mr. Lekach, 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 above, 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

**Table of Contents**

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 2005 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 a fiscal year, an officer or employee of ours or any of our subsidiaries, or has any relationship requiring disclosure under Certain Relationships and Related Party Transactions.

**Table of Contents**

**REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee reviews and approves the compensation of our executive officers, including salaries, bonuses and benefit plans.

The policy of the Board of Directors is to maintain executive compensation at levels that will permit us to attract, motivate and retain individuals with superior managerial abilities. The levels of compensation are intended to reward individual initiative and achievement, while motivating our executives to increase shareholder value by improving our performance and profitability by achieving annual and long-term objectives.

In reviewing the base salaries of our Chief Executive Officer and all Named Executive Officers, the Compensation Committee considers factors such as the responsibility