

Edgar Filing: E COM VENTURES INC - Form 10-K/A

E COM VENTURES INC  
Form 10-K/A  
May 25, 2006

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 28, 2006  
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 if the Registrant is a well-known seasoned issuer,  
as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports  
pursuant to Section 12 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Exchange Act 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

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

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 a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2) of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$17.7 million as of July 30, 2005, based on a market price of \$15.50 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 May 24, 2006: 2,990,291 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             | 54  | Chairman of the Board of Directors                             |
| Michael W. Katz              | 58  | President, Chief Executive Officer and Director                |
| A. Mark Young                | 45  | Chief Financial Officer  |
| Donovan Chin                 | 39  | Chief Financial Officer of Perfumania, Inc. and Secretary      |
| Leon Geller                  | 50  | Vice President of Purchasing, Perfumania, Inc.                 |
| Alan Grobman                 | 35  | Vice President of Logistics and Distribution, Perfumania, Inc. |
| Joel Lancaster               | 46  | Vice President of Stores, Perfumania, Inc.                     |
| Carole Ann Taylor(1) (2) (3) | 59  | Director   |
| Joseph Bouhadana(1) (2) (3)  | 36  | Director   |
| Paul Garfinkle(1)            | 64  | Director   |

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

- (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 and its affiliates are privately held wholesale distributors of pharmaceuticals, health and beauty care products and fragrances. 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 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.

2

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.

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

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 largest 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 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.

3

### 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.

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 28, 2006, filing deficiencies under Section 16(a) occurred due to one late report each filed by Michael W. Katz and Paul Garfinkle with respect to a stock option grant under our 2000 Stock Option Plan and 2000 Directors Plan, respectively. In addition, Leon Geller was not timely in meeting the filing requirement with respect to a transaction regarding options exercised

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

under our 2000 Stock Option Plan and filed one late report.

### ITEM 11. 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 of the Company at the end of the last fiscal year and whose total annual salary and bonus exceeded \$100,000 for Fiscal 2005 (collectively, the "Named Executive Officers").

4

#### SUMMARY COMPENSATION TABLE

| Name and Principal Position   | Fiscal Year | Annual Compensation |            |                                    | Long-term Incentive Plan Awards |         |
|---|-------------|---------------------|------------|------------------------------------|---------------------------------|---------|
|   |             | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) (1) | Restricted Stock Awards (\$)    | Options |
| Michael W. Katz<br>President and<br>Chief Executive Officer                   | 2005        | 200,000 (3)         | -          | -                                  | -                               | 100,000 |
|   | 2004        | (3)                 | -          | -                                  | -                               | -       |
|   | 2003        | -                   | -          | -                                  | -                               | -       |
| A. Mark Young<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<br>of 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                            | -                               | 16,250  |

Edgar Filing: E COM VENTURES INC - Form 10-K/A

- (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 under Certain Relationships and Related Party Transactions. 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) Options issued in Fiscal 2003 represent issuances as a consequence of the change of control pursuant to the Company's contractual obligations under then existing employment agreements.
- (3) Michael W. Katz was not paid by the Company during Fiscal 2004. An aggregate amount of \$406,000 was accrued during Fiscal 2004 and 2005 and subsequently contributed to the Company's additional Paid-in-Capital in Fiscal 2005. The Company began paying Michael W. Katz salary in the second quarter of Fiscal 2005.
- (4) 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.

5

OPTIONS GRANTS TABLE

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

| Name            | Number of Options Granted | % of Total Options Granted to Employees in Fiscal Year 2005(1) | Exercise Price Per Share | Expiration Date | Potential Realiz |                   |
|-----------------|---------------------------|--|--------------------------|-----------------|------------------|-------------------|
|                 |                           |  |                          |                 | at Assumed Ann   | of Stock Price Ap |
|                 |                           |  |                          |                 | 5% (2)           | For Option Te     |
| Michael W. Katz | 100,000                   | 90%  | \$ 12.99                 | 6/29/2016       | \$ 816,934       | \$                |

- (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

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

their expirations 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 2005 and the number of unexercised stock options held by the Named Executive Officers as of January 28, 2006.

| Name            | Number of Shares<br>Acquired on<br>Exercise | Value<br>Realized | Number of Unexercised<br>Options at Fiscal Year-<br>End (#) Exercisable /<br>Unexercisable | Value of Unexercised<br>In-The-Money<br>Options at Fiscal<br>Year-End (\$) (1)<br>Exercisable /<br>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.

6

#### 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 exercisable price equal to the fair market value of the common stock on the date of the option grant.

#### Compensation Committee Interlocks and Insider Participation

The following directors served as members of the compensation committee during the 2005 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

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

The following table shows the amount of common stock beneficially owned as of May 18, 2006 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<br>of Beneficial Owner                            | Total Number of Shares<br>Beneficially Owned | Percent of Shares<br>Outstanding |
|--|--|----------------------------------|
| Glenn and Stephen Nussdorf   | 1,557,589 (1) (2) (8)                        | 45.3%                            |
| Ilia Lekach  | 300,000 (1) (3) (4)                          | 10.0%                            |
| Michael W. Katz  | 100,000 (1) (5)                              | 3.2%                             |
| A. Mark Young  | 51,925 (1) (5)                               | 1.7%                             |
| Donovan Chin   | 27,250 (1) (5)                               | *                                |
| Leon Geller  | 8,110 (1) (5)                                | *                                |
| Alan Grobman   | 5,000 (1) (5)                                | *                                |
| Joseph Bouhadana   | 3,000 (1) (5)                                | *                                |
| Paul Garfinkle   | 2,500 (1) (5)                                | *                                |
| Carole A. Taylor   | 1,000 (1) (5)                                | *                                |
| Parlux Fragrances, Inc   | 378,102 (6)                                  | 12.6%                            |
| All directors and executive<br>officers as a group<br>(10 persons) | 1,756,374 (7)                                | 48.4%                            |

\*Less than 1%.

7

- (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 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 18, 2006 in the following amounts: Michael W. Katz (100,000); A. Mark Young (50,000); Donovan Chin (27,250); Leon Geller (8,110); Alan Grobman (5,000); Carole A. Taylor (1,000); Joseph Bouhadana (3,000); and Paul Garfinkle (2,500).
- (6) The address of Parlux Fragrances, Inc. is 3725 S.W. 30th Avenue, Ft.



## Edgar Filing: E COM VENTURES INC - Form 10-K/A

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 24, 2006, as set forth in Note 5 above.
- (8) 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 "Certain Relationships and Related Transactions" in Item 13 of this Form 10-K/A.

### ITEM 13. CERTAIN RELATIONSHIPS AND TRANSACTIONS

Effective January 30, 2004, Ilia Lekach, the Company's 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 (collectively, "Lekach"), entered into 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.

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, Mr. Lekach resigned from the Board of Directors and 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.

As of April 26, 2004, Mr. Lekach exercised stock options to acquire 318,750 common shares resulting in proceeds to the Company of approximately \$851,000 and the Nussdorfs acquired 595,954 shares from Mr. Lekach pursuant to the Nussdorf Option Agreement. Mr. Lekach had stock options for another 125,000 shares, which were required to be issued to Mr. Lekach by the Company pursuant to the terms of his employment agreement as a consequence of the change of control. These 125,000 options were only to be issued by the Company to Mr. Lekach upon approval of an amendment to the Company's 2000 Stock Option Plan. Such an amendment was approved at a special meeting of the Company's shareholders on April 29, 2004. Proceeds to the Company were \$500,000 when Mr. Lekach exercised the 125,000 options. The Nussdorfs exercised their option to acquire the remaining 125,000 shares subject to the Nussdorf Option Agreement and the Nussdorfs own an aggregate 1,113,144 shares or approximately 38% of the total number of shares of the Company's common stock as of January 28, 2006, excluding 444,445 shares issuable upon conversion of a Convertible Note. Lekach owns 300,000 shares or approximately 10% of the total number of shares of the Company's common stock as of January 28, 2006.

8

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, which included the 125,000 options required to be issued to Mr. Lekach. Since the 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 stock based compensation expense of approximately \$2,286,000. In addition, pursuant to the change of control provisions in the same employment and consulting agreements, the Company accrued approximately \$2,645,000 in January 2004, representing amounts subsequently paid to these same

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

individuals as a result of the change of control.

The Nussdorfs are officers and principals of Quality King Distributors, Inc. ("Quality King"). Quality King distributes pharmaceuticals, health and beauty care products and fragrances. The Company's President and Chief Executive Officer, Michael Katz is an executive of Quality King and the Company's principal shareholders, Stephen Nussdorf, the Chairman of the Company's Board of Directors and Glenn Nussdorf, his brother, are shareholders and executives of Quality King. During fiscal year 2005, the Company purchased approximately \$30,547,000 of merchandise from Quality King and its affiliates, representing approximately 23% of the Company's total purchases, and sold approximately \$17,853,000 of different merchandise to Quality King, which represented 100% of the Company's wholesale sales. There were approximately \$39,317,000 and \$5,960,000 of purchases from Quality King and approximately \$23,570,000 and \$11,366,000 of merchandise sold to Quality King during fiscal years 2004 and 2003 respectively. The wholesale sales made to Quality King result from the Company's supplier relationships and its ability to obtain certain merchandise at better prices and quantities than Quality King. The amounts due to Quality King at January 28, 2006 and January 29, 2005, were approximately \$17,240,000 and \$13,234,000 respectively. Accounts payable due to Quality King are non-interest bearing.

In March 2004, the Nussdorfs provided a \$5,000,000 subordinated secured demand loan to Perfumania. The demand loan required quarterly interest payments at the prime rate plus 1%. There were no prepayment penalties and the loan was 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 related indebtedness. The Convertible Note was payable in January 2007 and allows the Nussdorfs to convert the Convertible Note into shares of the Company's common stock at a conversion price of \$11.25, which equals the closing market price of the Company's common stock on the date of the exchange. The Nussdorfs have agreed to extend the due date of the Convertible Note to January 2009.

Parlux Fragrances, Inc. ("Parlux"), whose Chairman of the Board of Directors and Chief Executive Officer is Ilia Lekach, owns approximately 13% of the Company's outstanding common stock. Purchases of products from Parlux amounted to approximately \$23,004,000, \$38,360,000, and \$27,701,000 in fiscal years 2005, 2004 and 2003, representing approximately 18%, 20% and 23%, respectively, of the Company's total purchases. The amount due to Parlux on January 28, 2006 and January 29, 2005, was approximately \$9,666,000 and \$9,994,000, respectively. Accounts payable due to Parlux are non-interest bearing.

9

### Principal Accountant Fees Services

The aggregate fees billed by Deloitte & Touche LLP ("Deloitte") for fiscal years 2005 and 2004 are as follows:

| Fees                   | Fiscal 2005 | Fiscal 2004 |
|------------------------|-------------|-------------|
| Audit Fees (1)         | \$ 351,500  | \$ 285,000  |
| Audit Related Fees (2) | -           | 1,500       |
| Tax Fees (3)           | -           | 19,005      |

Edgar Filing: E COM VENTURES INC - Form 10-K/A

|            |            |            |
|------------|------------|------------|
| Total Fees | \$ 351,500 | \$ 305,505 |
|            | =====      | =====      |

- (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.
- (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 2005 and 2004.

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.

10

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 24, 2006.

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.

## Edgar Filing: E COM VENTURES INC - Form 10-K/A

| SIGNATURE   | TITLE  | DATE         |
|---|--|--------------|
| -----   | -----  | -----        |
| /s/ MICHAEL W. KATZ<br>-----<br>Michael W. Katz     | President and Chief Executive Officer<br>(Principal Executive Officer) | May 24, 2006 |
| /s/ STEPHEN NUSSDORF<br>-----<br>Stephen Nussdorf   | Chairman of the Board of Directors                                     | May 24, 2006 |
| /s/ A. MARK YOUNG<br>-----<br>A. Mark Young         | Chief Financial Officer,<br>(Principal Accounting Officer)             | May 24, 2006 |
| /s/ DONOVAN CHIN<br>-----<br>Donovan Chin           | Chief Financial Officer<br>Perfumania, Inc.,                           | May 24, 2006 |
| /s/ CAROLE ANN TAYLOR<br>-----<br>Carole Ann Taylor | Director   | May 24, 2006 |
| /s/ JOSEPH BOUHADANA<br>-----<br>Joseph Bouhadana   | Director   | May 24, 2006 |
| /s/ PAUL GARFINKLE<br>-----<br>Paul Garfinkle       | Director   | May 24, 2006 |

11

| EXHIBIT | DESCRIPTION   |
|---------|---|
| -----   | -----   |
| 31.1    | Certification of the Chief Executive Officer pursuant to Section 302<br>of the Sarbanes-Oxley Act of 2002 |
| 31.2    | Certification of the Chief Financial Officer pursuant to Section 302<br>of the Sarbanes-Oxley Act of 2002 |

12