Perfumania Holdings, Inc.
Form 10-K
April 17, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 28, 2012
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: 0-19714

PERFUMANIA HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Florida	65-0977964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
35 Sawgrass Drive, Suite 2 Bellport, New York	11713
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (631) 866-4100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark 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. ý

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company ý

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $16.7 million as of July 31, 2011, based on the closing sale price of $13.33 per share.

The number of shares outstanding of the registrant’s common stock as of April 13, 2012: 8,970,918 shares

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PART I.

ITEM 1. BUSINESS

General Overview

Perfumania Holdings, Inc. and subsidiaries ("the Company") is an independent, national, vertically integrated wholesale distributor and specialty retailer of perfumes and fragrances that does business through five primary operating subsidiaries, Perfumania, Inc. ("Perfumania"), Quality King Fragrance, Inc. ("QFG"), Scents of Worth, Inc. ("SOW"), Perfumania.com, Inc. ("Perfumania.com") and Five Star Fragrance Company, Inc. ("Five Star"). We operate in two industry segments, wholesale distribution and specialty retail sales of designer fragrance and related products.

Our wholesale business, which is conducted through QFG, distributes designer fragrances to mass market retailers, drug and other chain stores, retail wholesale clubs, traditional wholesalers, and other distributors throughout the United States. For reporting purposes, the wholesale business also includes the Company's manufacturing division, operated by Five Star, which owns and licenses designer and other fragrance brands, paying royalties to the licensors based on a percentage of sales. All manufacturing operations are outsourced to third party manufacturers. Five Star's sales and results of operations are not significant to the Company's results on a consolidated basis.

Our retail business is conducted through three subsidiaries:

- Perfumania, a specialty retailer of fragrances and related products,
- SOW, which sells fragrances in retail stores on a consignment basis, and
- Perfumania.com an Internet retailer of fragrances and other specialty items.

During fiscal 2011 and 2010, approximately 71.8% and 67.5% of our net sales and 82.0% and 79.1% of our gross profit were provided by our retail division, and approximately 28.2% and 32.5% and 18.0% and 20.9%, respectively, by our wholesale division. Further information for each of the industry segments in which we operate is provided in Note 12 to our consolidated financial statements included in Item 8 of this Form 10-K.

Our executive offices are located at 35 Sawgrass Drive, Suite 2, Bellport, NY 11713, our telephone number is (631) 866-4100, our retail internet address is www.perfumania.com and our business internet address is www.perfumaniaholdingsinc.com. Through our business website, we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as is reasonably practicable after we electronically file them with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The public may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. The public may obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These reports and amendments are also available at www.sec.gov. In addition, we have made our Code of Business Conduct and Ethics available through our business website under "About us – Corporate Compliance." The reference to our website does not constitute incorporation by reference of the information contained on our website and the information contained on the website is not part of this Form 10-K.

In this Form 10-K, we refer to the fiscal year beginning January 30, 2011 and ending on January 28, 2012 as "fiscal 2011" and the fiscal year beginning January 31, 2010 and ending January 29, 2011 as "fiscal 2010".

Pending Merger

The Company has entered into a merger agreement dated as of December 23, 2011, under which it plans to acquire Parlux Fragrances, Inc. ("Parlux"), a publicly-traded company that is in the business of creating, designing, manufacturing, distributing and selling prestige fragrances and beauty related products. Parlux, which markets its products primarily through specialty stores, national department stores and perfumeries on a worldwide basis, had net sales of $123 million for its most recently audited fiscal year ended March 31, 2011. The consideration to be delivered by Perfumania to Parlux stockholders for the acquisition (which we refer to as the "Merger") will consist of cash and Company stock with an aggregate value of approximately $115.5 million, based on the $9.05 closing sale price of Perfumania common stock on the Nasdaq Stock Market on April 13, 2012.

Upon completion of the Merger, the Company expects to have annual revenues on a pro forma basis of over $550 million and total assets on a pro forma basis of over $450 million, subject to the determination of the final purchase price and completion of the purchase price allocation.

The Company expects to obtain financing for the cash portion of the merger consideration from two sources. First, it will

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use borrowings under its existing Senior Credit Facility of up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the merger and related transactions. Second, it will borrow a total of $30 million from certain family trusts of its principal shareholders, Stephen Nussdorf, Glenn Nussdorf, and Arlene Nussdorf. The new loans will be subordinated to the Senior Credit Facility on the same basis as the Company's existing indebtedness to the Nussdorf trusts.

The Merger is subject to the approval of the shareholders of both companies. Special shareholder meetings are scheduled for April 17, 2012. Assuming the necessary approvals, and subject to the satisfaction or waiver of other conditions set forth in the merger agreement, we expect the Merger to close shortly after the shareholder meetings. You should refer to the Company's joint proxy statement / prospectus, which includes a copy of the merger agreement, for more information about Parlux, the terms of the proposed Merger, and the financing arrangements. The Company has mailed a copy of the joint proxy statement / prospectus to each Perfumania shareholder and has also posted it on the Company's website at www.perfumaniaholdingsinc.com/proxy_materials.aspx.

Wholesale Business

The wholesale division, which operates through QFG, distributes designer fragrances to mass market retailers, drug and other chain stores, retail wholesale clubs, traditional wholesalers, and other distributors throughout the United States. It buys designer fragrances principally from the brand owners/manufacturers. QFG strives to increase its selection of brands, sizes and price points in order to be a one stop shop for its customers. QFG’s sales are principally to retailers such as Wal-Mart, Walgreens, Kohl’s, Nordstrom Rack, Marshalls, Target, Ross Stores and CVS. QFG also operates a direct sales department that services over 10,000 pharmacies and specialty stores, through partnerships with AmerisourceBergen and Cardinal Health, throughout the United States.

Five Star’s owned and licensed brands are sold principally through the Company’s wholesale business, SOW’s consignment business, and Perfumania’s retail stores. Five Star handles the manufacturing, on behalf of Perfumania, of the Jerome Privee® product line, which includes bath and body products, and which is sold exclusively in Perfumania’s retail stores.

There were no customers who accounted for more than 10% of revenues in fiscal 2011 or 2010.

Retail Business

Perfumania is a leading specialty retailer and distributor of a wide range of brand name and designer fragrances. At January 28, 2012, Perfumania operated a chain of 344 “full service” retail stores, specializing in the sale of fragrances and related products at discounted prices up to 75% below the manufacturers’ suggested retail prices. Each of Perfumania’s retail stores generally offers approximately 2,000 different fragrance items for women, men and children. These stores stock brand name and designer brands such as Estee Lauder®, Cartier®, Issey Miyake®, Bvlgari®, Yves Saint Laurent®, Calvin Klein®, Giorgio Armani®, Hugo Boss®, Ralph Lauren/Polo®, Perry Ellis®, Liz Claiborne®, Giorgio® , Halston®, Escada®, Christian Dior®, Sean Jean®, Lacoste®, Burberry®, Azzaro®, Guess®, Donna Karan® and Paris Hilton®.[1] Perfumania also carries a private label line of bath & body treatment products under the name Jerome Privee®. The retail business is principally operated through Magnifique Parfumes and Cosmetics, Inc., a subsidiary of Perfumania, although the stores are generally operated under the name “Perfumania®.” Perfumania’s retail stores are generally located in regional malls, manufacturers’ outlet malls, lifestyle centers, airports and suburban strip shopping centers.

Perfumania.com offers a selection of our more popular products for sale over the Internet and serves as an alternative shopping experience to the Perfumania retail stores. We benefit from our ability to reach a large group of customers from a central site. This also enables us to display a larger number of products than traditional store-based or catalog sellers, and the ability to frequently adjust featured selections and edit content and pricing provides significant merchandising flexibility. During fiscal 2010, we launched a newly designed e-commerce website. The website was revamped in its entirety, providing customers with a more functional, personalized and simplified shopping experience.

SOW operates the largest national designer fragrance consignment program, with contractual relationships to sell products on a consignment basis in approximately 2,300 stores, including more than 1,300 Kmart locations nationwide, as well as through customers such as Burlington Coat Factory, Loehmann’s, Daffy’s, Steinmart and K&G.

SOW determines the pricing and the products displayed in each of its retail consignment locations and pays a percentage of the sales proceeds to the retailer

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[1] Trademarks used in this Form 10-K are the property of the Company or of our licensors. The ® and ™ symbols are deemed to apply to each instance of the respective mark in this report.

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for its profit and overhead applicable to these sales. Overhead includes sales associate payroll and benefits, rental of fragrance space and, in some instances, an inventory shrink allowance. Consignment fees vary depending in part on whether SOW or the retailer absorbs inventory shrinkage.

The retail segment's overall profitability depends principally on our ability to purchase a wide assortment of merchandise at favorable prices, attract customers and successfully conclude retail sales. Other factors affecting our profitability include general economic conditions, competition, availability of volume discounts, number of stores in operation, timing of store openings and closings and the effect of special promotions. Retail store sales, internet sales, and consignment sales represented approximately 71.8% and 67.5% of the Company's total sales in fiscal 2011 and 2010, respectively.

Seasonality and Quarterly Results

The Company's business is highly seasonal, with the most significant activity occurring from September through December each year. Wholesale sales are stronger during the months of September through November, since retailers need to receive merchandise well before the holiday season begins, with approximately 33.9% and 37.2% of total wholesale revenues being generated during these three months in fiscal 2011 and 2010, respectively. Retail revenues are the greatest in December, with approximately 22.7% and 22.8% of retail revenues being generated this month in fiscal 2011 and 2010, respectively, as is typical for a retail operation. In fiscal 2011 and 2010, the Company realized losses from operations during the first nine months and generated income from operations during the fourth quarter due to the seasonality of its business. However, there can be no assurance that future results will be consistent with historical results.

Strategy

The Company's business strategy is to use its experience in the fragrance industry, knowledge of the fragrance market, and business relationships to procure products, enabling it to sell its products to customers at competitive prices. In addition, the Company supplements its offerings with owned or licensed designer and other fragrance brands. It seeks to increase the portfolio of brands for both wholesale distribution and retail sale by presenting a diverse sales opportunity for a designer's brand, thereby enhancing its purchasing opportunities.

The Company emphasizes future growth by broadening its product offering to wholesale customers while also growing the retail business. It also expects to take advantage of opportunities to license or purchase mature designer brands that do not require significant additional expenditure to create retail market demand.

Perfumania's current business strategy focuses on maximizing sales and store productivity by raising the average dollar sale per transaction, increasing transactions per hour, reducing expenses at existing stores, selectively opening new stores in proven geographic markets and closing under-performing stores. When opening new stores, Perfumania seeks locations primarily in high traffic manufacturers' outlet malls, regional malls and selectively, on a stand-alone basis in suburban shopping centers in metropolitan areas. To achieve economies of scale with respect to advertising and management costs, Perfumania evaluates whether to open additional stores in markets where it already has a presence or whether to expand into additional markets that it believes have a population density and demographics to support a cluster of stores.

As of January 28, 2012, we operated 344 Perfumania stores in the United States and Puerto Rico. The following chart shows the number of Perfumania stores operated in each state in which those stores are located.

Perfumania Stores as of January 28, 2012

Alaska	2	Louisiana	5	North Carolina	11
Alabama	2	Maine	1	Ohio	8
Arizona	9	Maryland	8	Oklahoma	1
California	26	Massachusetts	8	Oregon	5
Colorado	3	Michigan	12	Pennsylvania	12
Connecticut	3	Minnesota	3	Puerto Rico	19
Delaware	2	Mississippi	3	South Carolina	8
Florida	53	Missouri	7	Tennessee	5
Georgia	13	Nevada	8	Texas	41

Hawaii	1	New Hampshire	4	Utah	1
Illinois	13	New Jersey	9	Virginia	3
Indiana	6	New York	20	Washington	6
				Wisconsin	3

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In fiscal 2011 and 2010, Perfumania opened 7 and 3 stores, respectively, excluding seasonal locations. Perfumania continuously monitors store performance and from time to time closes under-performing stores, which typically have been older stores in less trafficked locations. During fiscal 2011 and 2010, Perfumania closed 21 and 16 stores, respectively, excluding seasonal locations. For fiscal 2012, Perfumania intends to continue to focus on improving the profitability of its existing stores and management currently expects to open a minimum of 9 new stores and expects to close approximately 3 stores.

Suppliers

The Company purchases approximately 80% of its fragrances directly from brand owners/manufacturers and the balance from distributors. Its suppliers include most of the largest fragrance manufacturers in the United States. The distributors represent, for the most part, long-standing relationships, some of which are also customers of the Company. The Company maintains a regular dialogue with all designer fragrance brand manufacturers directed toward broadening its product offerings to its customers. The Company believes that having both wholesale and retail customers is desirable to most designer fragrance brand manufacturers and enhances its opportunities to further expand these relationships. In addition, the recent consolidation in the United States department store business and the weak global economy which has impacted United States department store fragrance sales has resulted in favorable buying opportunities for the Company with some of the largest fragrance manufacturers. As is customary in the fragrance industry, the Company has no long-term or exclusive contracts with suppliers.

Marketing and Sales

The Company works with consignment retailers to develop in-store promotions employing signage, displays or unique packaging to merchandise and promote products in addition to developing ad campaigns for specific events as required by the retailers, e.g., mailers, inserts and national print advertising. The cornerstone of our marketing philosophy for our own stores is to develop customer awareness that the stores offer an extensive assortment of brand name and designer fragrances at discount prices.

Wholesale sales representatives maintain regular dialogue with customers to generate selling opportunities and to assist them in finding scarce products at low prices. All sales personnel have access to current inventory information that is generally updated with each order, allowing immediate order confirmation to customers and ensuring that ordered products are in stock for prompt shipment. The Company’s management information system affords customers access to current information on price and product availability to enable them to better plan inventory investments. Customers may elect to receive this information in a variety of electronic formats that are updated daily, and can transmit orders electronically directly to the Company’s data processing system. The reports generated for customers by the management information system also provide information on manufacturers’ special price offerings and promotional programs to demonstrate the savings that can be generated so that customers can validate the value of purchasing from the Company compared to other sources. The Company believes that this gives its salespeople a competitive advantage in customer interactions.

Intellectual Property Rights

The Company’s portfolio of fragrance brands is of great importance to its business. Five Star owns the Lutece®, Norell®, Pavlova®, Realm®, Raffinee® and Royal Secret® brands, among others. It licenses designer and other fragrance brands, such as Bijan®, Gale Hayman®, Michael Jordan®, Pierre Cardin®, Royal Copenhagen®, Vicky Tiel®, Donald Trump®, XOXO®, Snookie®, and Ivanka Trump®, often acquiring exclusive worldwide distribution rights. Some of these licenses are renewable on a year-to-year basis or for longer periods, while the rest have terms that typically run from two to five years. Current expiration dates for these licenses (whereupon automatic or discretionary renewal periods may commence) range from October 31, 2012 to September 30, 2017. In addition to the trade name and service mark Perfumania, Perfumania’s stores operate under the trade names Fragrance Depot and Perfumania Plus.

We primarily rely on trademark law to protect our intellectual property rights. In addition to using registered trademarks covering licensed brands, we have a proprietary portfolio of approximately 60 U.S. registered trademarks and applications and approximately 200 foreign registered trademarks and applications. U.S. trademark ownership depends on use and remains effective as long as the trademark is used. Trademark registration provides certain additional protections. U.S. trademark registrations are generally renewable for as long as the trademark is used.

Trademark ownership in foreign countries applying common law also depends on continued use, with registration providing certain additional protections. In the European Union and other foreign countries, ownership rights are based on registration. Terms of registrations in such countries range from seven to fifteen years and are generally renewable. We occasionally register the copyright to packaging materials, and we also rely on trade secret and other contractual restrictions to protect the commercial terms of our licenses. From time to time, we bring litigation against those who, in our opinion, infringe our proprietary rights, but there can be no assurance that either such efforts, or any contractual restrictions used, will be adequate or effective. Also, owners of other brands may, from time to time, allege that we have violated their intellectual property rights, which may lead to litigation and material legal expense.

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Competition

Competition varies among the markets in which the Company competes. As a retailer, the Company competes with a wide range of chains and large and small stores, as well as manufacturers, including some of the Company's suppliers. In the wholesale business, the Company competes with many distributors, of which Elizabeth Arden is the largest. Generally, the basis of competition is brand recognition, quality and price. The Company believes that the most important reasons for its competitive success in the wholesale business include its established relationships with manufacturers and large customers, popular recognition of its proprietary and licensed brands, and its efficient, low-cost sourcing strategy and ability to deliver products to consumers at competitive prices. Perfumania's retail competitors include department stores, regional and national retail chains, drug stores, supermarkets, duty-free shops and other specialty retail stores. Some of its competitors sell fragrances at discount prices and some are part of large national or regional chains that have substantially greater resources and name recognition than Perfumania. Perfumania's stores compete on the basis of selling price, promotions, customer service, merchandise variety, store location and ambiance. Internet fragrance sales are highly competitive and Perfumania.com competes on the basis of selling price, merchandise variety, ease of selection and cost of delivery. Some of the Company's competitors may enjoy competitive advantages, including greater financial resources that can be devoted to competitive activities, such as sales and marketing, brand development and strategic acquisitions.

Employees

At January 28, 2012, the Company had 2,025 employees, of whom 195 were involved in warehousing, 1,672 were employed in Perfumania's retail stores, 96 in marketing, sales and operations, and 62 in finance and administration. Temporary and part-time employees are added between Thanksgiving and Christmas. Substantially all the warehouse employees are represented by a union. The Company has never experienced a work stoppage, strike or other interruption in business as a result of a labor dispute.

Distribution

Perfumania utilizes independent national trucking companies, primarily UPS, to deliver merchandise to its stores and wholesale customers. Retail store deliveries generally are made weekly, with more frequent deliveries during the holiday season. Such deliveries permit the stores to minimize inventory storage space and increase the space available for display and sale of merchandise. Sales of Perfumania.com are shipped primarily via UPS and are typically delivered within a few days of being ordered.

Forward Looking Statements

Some of the statements in this report, including those that contain the words "anticipate," "believe," "plan," "estimate," "expec "should," "intend," and other similar expressions, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are our ability to service our obligations, our ability to comply with the covenants in our senior credit facility, any failure of general economic conditions to improve, including any weaker than anticipated recovery in discretionary spending by consumers, competition, the ability to raise any additional capital necessary to finance our expansion, and the matters discussed in "Risk Factors" below.

ITEM 1A. RISK FACTORS

The following sets forth certain risk factors known to us that may materially adversely affect the Company and its results of operations or our shareholders' investment.

Risks Relating to the Merger

We may be unable to obtain the financing necessary to consummate the merger.

We entered into an amendment to our existing senior secured revolving credit facility which permits us to borrow up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the Merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the Merger and related transactions. In addition, we received commitments from Nussdorf family trusts to make a total of $30 million in new loans to finance the balance of the cash consideration. The newly committed financings will be used to fund the cash portion of the merger consideration and pay Merger-related transaction costs. Our receipt of the financing arrangements

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contemplated by the merger agreement is not a condition to closing the merger. Accordingly, under the merger agreement, if the conditions to the closing of the Merger are satisfied, and financing is not available in full, the closing of the Merger must still proceed or Perfumania must pay a termination fee of $4 million and expenses of up to $2 million to Parlux.

We may not realize the benefits of integrating Parlux and Perfumania

To be successful after the Merger, we will need to combine and integrate the operations of Perfumania and Parlux into one company. Integration will require substantial management attention and could detract attention from the day-to-day business of the combined company. We could encounter difficulties in the integration process, such as the need to revisit assumptions about reserves, future production, revenues, capital expenditures and operating costs, including synergies, the loss of key employees or commercial relationships or the need to address unanticipated liabilities. If we cannot integrate the Perfumania and Parlux businesses successfully, we may fail to realize the expected benefits of the Merger.

Failure to complete the Merger could negatively affect Perfumania's stock price and future business and operations

If the merger is not completed for any reason, we may be subject to a number of risks, including the following:

- we will not realize the benefits expected from the merger, including a potentially enhanced financial and competitive position;
- the current market price of our common stock may reflect a market assumption that the Merger will occur and a failure to complete the Merger could result in a negative perception of us by the stock market and a resulting decline in the market price of our common stock; and
- most costs relating to the Merger, including investment banking, financing, legal and accounting fees and expenses, must be paid even if the Merger is not completed, and we may be required to pay substantial fees to Parlux if the merger agreement is terminated under specified circumstances.

Risks Relating to Perfumania

We could face liquidity and working capital constraints if we are unable to generate sufficient cash flows from operations

If we are unable to generate sufficient cash flows from operations to service our obligations, we could face liquidity and working capital constraints, which could adversely impact our future operations and growth. If we need to raise additional funds to support our operations, we may not be able to do so on favorable terms, or at all. Without such funding, we may need to modify or abandon our growth strategy or eliminate product offerings, any of which could negatively impact our financial position.

We may have problems raising money needed in the future, which could adversely impact operations or existing stockholders

Our growth strategy includes selectively opening and operating new Perfumania retail locations and increasing the average retail sales per store. We may need to obtain funding to achieve our growth strategy. Additional financing may not be available on acceptable terms, if at all, which would adversely affect our operations. In order to obtain additional liquidity, we might issue additional common stock which could dilute our existing shareholders’ ownership interest or we may be required to issue securities with greater rights than those currently possessed by holders of our common stock. We may also be required to take other actions, which may lessen the value of our common stock, including borrowing money on terms that are not favorable.

The beauty industry is highly competitive and if we cannot effectively compete our business and results of operations will suffer

The beauty industry is highly competitive and can change rapidly due to consumer preferences and industry trends. Some of our competitors sell fragrances at discount prices and some are part of large national or regional chains that have substantially greater resources and name recognition than Perfumania. Perfumania’s stores compete on the basis of selling price, customer service, merchandise variety and store location. Many of our current and potential competitors have greater financial, technical, operational, and marketing resources. We may not be able to compete successfully against these competitors in developing our products and services. These factors, as well as demographic trends, economic conditions and discount pricing strategies by competitors, could result in increased competition and could have a material adverse effect on our profitability, operating cash flow, and many other aspects of our business, prospects, results of operations and financial condition.

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Our retail business is sensitive to and may be adversely affected by general economic conditions and overall consumer confidence

Our business is sensitive to a number of factors that influence the levels of consumer spending, including political and economic conditions such as recessionary environments, the levels of disposable consumer income, consumer debt, interest rates, fuel and energy prices, the level of unemployment and consumer confidence. During periods of economic uncertainty where consumer confidence is affected, consumer spending levels and customer traffic could decline, which would have an adverse effect on our business and our results of operations.

Adverse U.S. and global economic conditions could affect our wholesale business

A U.S. or global economic downturn could reduce the availability of credit for businesses. Some of our customers could experience a decline in financial performance. These conditions affect their ability to pay amounts owed to us on a timely basis or at all. There can be no assurance that government responses to potential economic disruptions would increase liquidity and the availability of credit, and as a result, our wholesale customers may be unable to borrow funds on acceptable terms. Any economic decline affecting our customers would adversely affect our business and results of operations.

If Perfumania cannot successfully manage its growth, our business will be adversely affected

We may not be able to sustain growth in revenues. Perfumania's growth has been somewhat dependent upon opening and operating new retail stores on a profitable basis, which in turn is subject to, among other things, securing suitable store sites on satisfactory terms, hiring, training and retaining qualified management and other personnel, having adequate capital resources and successfully integrating new stores into existing operations. Circumstances outside our control could negatively affect these anticipated store openings. Perfumania's new stores may take up to three years to reach planned operating levels. It is possible that Perfumania's new stores might not achieve sales and profitability comparable to existing stores, and it is possible that the opening of new locations might adversely affect sales at existing locations. The failure to expand by successfully opening new stores as planned, or the failure of a significant number of these stores to perform as planned, could have a material adverse effect on our business and our results of operations.

The market for real estate is competitive, which could adversely impact our results

Our ability to effectively obtain real estate to open new stores depends upon the availability of real estate that meets our criteria, including traffic, square footage, co-tenancies, lease economics, demographics, and other factors, and our ability to negotiate terms that meet our financial targets. In addition, we must be able to effectively renew our existing store leases. Failure to secure real estate locations adequate to meet annual targets, as well as effectively managing the profitability of our existing stores, could have a material adverse effect on our business and our results of operations.

If we are unable to effectively manage the inventory we sell on consignment, we will not achieve our expected results

Our business includes a significant portion of consigned sales, and our revenue recognition policy defers recognition of revenue for this type of sales. Consignment sales remain in inventory until the products are sold to end users and, if not sold, the inventory may be returned to us upon termination of the consignment relationships. The turnover frequency of our inventory on consignment is critical to generating regular cash flow in amounts necessary to keep financing costs to targeted levels and to purchase additional inventory. If this turnover is not sufficiently frequent, our financing costs may exceed targeted levels and we may be unable to generate regular cash flow in amounts necessary to purchase additional inventory to meet the demand for other products. In addition, slow inventory turnover may force us to reduce prices and accept lower margins to sell consigned products.

Our business is subject to seasonal fluctuations, which could lead to fluctuations in our stock price

We have historically experienced and expect to continue experiencing higher sales in the fourth fiscal quarter than in any of the first three fiscal quarters. Purchases of fragrances as gift items increase during the holiday season, which results in significantly higher fourth fiscal quarter retail sales. Sales levels of new and existing stores are affected by a variety of factors, including the retail sales environment, the level of competition, the effect of marketing and promotional programs, acceptance of new product introductions, adverse weather conditions, general economic conditions and other factors beyond our control. Our quarterly results may also vary as a result of the timing of new store openings and store closings, net sales contributed by new stores and fluctuations in comparable sales of existing stores. If our quarterly operating results are below expectations, our stock price might decline.

We may experience shortages of the merchandise we need because we do not have long-term agreements with suppliers

Our success depends to a large degree on our ability to provide an extensive assortment of brand name and designer

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fragrances. We have no long-term purchase contracts or other contractual assurance of continued supply, pricing or access to new products. If we are unable to obtain merchandise from one or more key suppliers on a timely basis or acceptable terms, or if there is a material change in our ability to obtain necessary merchandise, our results of operations could be adversely affected.

We could be subject to litigation because of the merchandising aspect of our business

Some of the merchandise we purchase from suppliers might be manufactured by entities that are not the owners of the trademarks or copyrights for the merchandise. The owner of a particular trademark or copyright may challenge us to demonstrate that the specific merchandise was produced and sold with the proper authority, and if we are unable to demonstrate this, we could, among other things, be restricted from reselling the particular merchandise or be subjected to other liabilities. This type of restriction could adversely affect our business and results of operations.

Our stock price volatility could result in litigation, substantial cost, and diversion of management's attention

The price of our common stock has been and likely will continue to be subject to wide fluctuations in response to a number of events, such as:

- quarterly variations in operating results;
- acquisitions, capital commitments or strategic alliances by us or our competitors;
- legal and regulatory matters that are applicable to our business;
- the operating and stock price performances of other companies that investors may deem comparable to us;
- news reports relating to trends in our markets; and
- the amount of shares constituting our public float.

In addition, the stock market in general has experienced significant price and volume fluctuations that often have been unrelated to the performance of specific companies. The broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. Our stock price volatility could result in litigation, including class action lawsuits, which would require substantial monetary cost to defend, as well as the diversion of management attention from day-to-day activities which could negatively affect operating performance. Such litigation could also have a negative impact on the price of our common stock due to the uncertainty and negative publicity associated with litigation.

Future growth may place strains on our managerial, operational and financial resources

If we grow as we anticipate, a significant strain on our managerial, operational and financial resources may occur. Future growth or increase in the number of our strategic relationships could strain our managerial, operational and financial resources, inhibiting our ability to achieve the execution necessary to successfully implement our business plan.

The loss of or disruption in our distribution facility could have a material adverse effect on our business

We currently have one distribution facility located in Bellport, New York. In addition we use third-party fulfillment centers in New York and New Jersey. The loss of, or damage to any of these facilities, as well as the inventory stored therein, could adversely affect our business, prospects, results of operations, financial condition or cash flows.

Expanding our business through acquisitions of and investments in other businesses and technologies presents special risks that may disrupt our business

We may expand through the acquisition of and investment in other businesses. Acquisitions involve a number of special problems, including:

- difficulty integrating acquired technologies, operations, and personnel with our existing business;
- diversion of management's attention in connection with both negotiating the acquisitions and integrating the assets;
- the need for additional financing;
- strain on managerial, operational and financial resources as management tries to oversee larger operations; and
- exposure to unforeseen liabilities of acquired companies.

We may not be able to successfully address these problems. Moreover, our future operating results will depend to a significant degree on our ability to successfully manage growth or integrate acquisitions.

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Current economic conditions and the global financial crisis may have an impact on our business and financial condition in ways that we currently cannot predict

The global economy has experienced a significant contraction, with an almost unprecedented lack of availability of business and consumer credit. This decrease and any future decrease in economic activity in the United States or in other regions of the world in which we do business could adversely affect our financial condition and results of operations. Continued and potentially increased volatility, instability and economic weakness and a resulting decrease in discretionary consumer and business spending may result in a reduction in our revenues. We currently cannot predict the extent to which our revenues may be impacted.

In addition, our ability to make acquisitions depends, in part, on the availability of equity and debt financing. The credit markets and the general economy have experienced a period of large scale turmoil and upheaval. As a result, equity and debt financing from the capital markets may not be available to us on acceptable terms and may not be available for some time. This may limit our ability to pursue an acquisition-based strategy.

The Company maintains operating bank accounts at a number of financial institutions in the United States. Some of the Company’s cash balances in the United States are in excess of the government’s Federal Deposit Insurance Corporation insurance limits. The FDIC insures deposits in most banks and savings associations located in the United States. We could incur substantial losses if the underlying financial institutions fail or are otherwise unable to return our deposits.

Any weakness in internal control over financial reporting or disclosure controls and procedures could result in a loss of investor confidence in our financial reports and lead to a stock price decline

We are required to maintain effective internal control over financial reporting, as well as effective disclosure controls and procedures, complying with SEC rules and covering all our business operations. Any failure to have effective internal control over financial reporting or disclosure controls and procedures covering our business could cause investors to lose confidence in the accuracy and completeness of our financial reports, limit our ability to raise financing or lead to regulatory sanctions, any of which could result in a material adverse effect on our business or a decline in the market price of our common stock.

If we fail to protect the security of personal information about our retail customers, our reputation could suffer and we could suffer financial harm

We receive and store personal information about the customers of our retail businesses. The regulatory environment for information security is increasingly demanding, and our customers have a high expectation that we will protect their personal information. If we experience a data security breach, we could be exposed to costly government enforcement actions and private litigation. In addition, this could damage our reputation and our customers could lose confidence in us, which could cause them to stop using credit cards to purchase our products or stop shopping at our stores altogether. Such events could lead to lost future sales, fines or lawsuits, which would adversely affect our results of operations.

Control of our management and policies is with our principal shareholders, who could take actions that are not in the best interest of the other shareholders

Stephen and Glenn Nussdorf beneficially own an aggregate of approximately 59% of our outstanding common stock, assuming exercise of warrants they hold. Including shares and warrants owned by their sister, Arlene Nussdorf, the Nussdorfs beneficially own approximately 82% of our capital stock in aggregate. As a result, they are able to direct our corporate policies and can act unilaterally to approve most actions requiring shareholder approval under law or our governing documents. The Nussdorfs’ collective stock ownership may have the effect of delaying or preventing policies or actions deemed desirable by our Board of Directors, such as a business combination that might be in the interests of our other shareholders, which in turn could materially and adversely affect the market price of our common stock. Conversely, such ownership may cause us to implement policies that are not in the best interests of our other shareholders.

We also have a material amount of indebtedness to the Nussdorfs and their affiliates. As significant creditors, the Nussdorfs may refuse consent to actions our Board may consider necessary.

We are a “controlled corporation” under the NASDAQ rules. Accordingly, we are not required to have a board of directors with a majority of independent directors, to have executive compensation determined by an independent compensation committee, or to have our directors nominated by a majority of the independent directors. This could increase the extent to which the principal shareholders are able to control our operations to the possible detriment of the other shareholders.

Furthermore, we have agreed that, in certain circumstances, we will register with the SEC the resale of certain shares of our common stock held by the Nussdorfs. They may require that, in the event of any marketing limitation on the number of shares included in an applicable registration statement, their shares be registered on a pro rata basis with shares being registered

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for parties that have obtained registration rights in connection with providing financing to us. This may limit our ability to obtain financing in the future.

The absence of contracts with customers or suppliers could result in loss of key customers or suppliers, which would have a material adverse effect on our business

We do not have long-term or exclusive contracts with our customers or with the suppliers of distributed brands. Suppliers of distributed brands generally may choose to reduce or eliminate the volume of their products we distribute, including supplying products to our wholesale customers directly or through another distributor. Our wholesale customers are generally able to cancel orders or delay the delivery of products on short notice. The loss of any key suppliers or customers, or a change in our relationship with any of them, could have a material adverse effect on our business, prospects, and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company’s principal executive offices and distribution center are located at 35 Sawgrass Drive, Suite 2, Bellport, New York 11713. The Company subleases 280,000 square feet of this 560,000 square foot facility and began using this space in December 2007. This warehouse houses goods for both the wholesale and retail segments. The space is leased through September 2027. An additional administrative office located in Sunrise, Florida is leased through December 2017 and is currently being marketed for sublease.

All of Perfumania’s retail stores are located in leased premises. As of January 28, 2012, the Company had a total of approximately 501,000 leased store square feet with an average store size of 1,457 square feet. Most of the store leases provide for the payment of a fixed amount of base rent plus a percentage of sales, ranging from 3% to 15%, over certain minimum sales levels. Store leases typically require Perfumania to pay its proportionate share of common area expenses, real estate taxes, utility charges, insurance premiums and certain other costs. Some of Perfumania’s leases permit the termination of the lease if specified minimum sales levels are not met. See Note 12 to our consolidated financial statements for additional information with respect to our store leases.

ITEM 3. LEGAL PROCEEDINGS

Following the announcement of our merger agreement with Parlux, on January 5, 2012, a putative class action complaint, captioned as Shirley Anderson v. Parlux Fragrances, Inc., et al., was filed in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida on behalf of a purported stockholder of Parlux. Thereafter, the case was transferred to the Complex Business Division No. 7 and assigned case number 12-000344-CA-07. The named defendants include Parlux, the individual members of the Parlux board of directors, and the Company. The complaint alleges, among other things, that the members of the Parlux board breached their fiduciary duties in negotiating and approving the merger agreement, that the merger consideration negotiated in the merger agreement is inadequate, that certain of the defendants have improper conflicts of interest by reason of the existing relationships between Parlux and the Company, and that the terms of the merger agreement fail to provide the Parlux stockholders with certain procedural protections and impose improper deal protection devices that will preclude competing offers. The complaint further alleges that Parlux and the Company aided and abetted the members of the Parlux board in their alleged breaches of fiduciary duties. The plaintiff seeks a determination that the lawsuit is a proper class action and that the plaintiff is a proper class representative, orders enjoining the defendants and their agents from consummating the proposed transaction unless and until Parlux adopts and implements a procedure to obtain a merger agreement providing the best possible terms for the Parlux stockholders, including conditioning the approval of the merger agreement on the approving vote of holders of a majority of the Parlux shares other than those held by Parlux directors and officers and stockholders related to the Company, rescinding any terms of the proposed transaction already implemented, and awarding damages, costs and attorneys' fees.

On January 19, 2012, an individual named Arthur Weill filed a Motion to Intervene and For Appointment as Lead Plaintiff and Approval as Co-Lead Counsel in the Anderson action, which motion the Court denied on February 6,

2012. On February 7, 2012, the plaintiff filed an Amended Complaint in the Anderson action. In the Amended Complaint the claims and defendants remained the same, but after having reviewed the registration statement jointly filed by the Company and Parlux on January 23, 2012, plaintiff added allegations concerning the independent committee of the Parlux board of directors that she alleges raise questions as to that committee's impartiality. The Amended Complaint also adds details regarding additional information concerning the various analyses and the underlying methodologies performed or used by the financial advisors identified in the registration statement, who rendered fairness opinions to the Parlux board of directors and its independent committee, that plaintiff alleges should have been disclosed to Parlux shareholders in order for them to make a fully informed decision whether to vote in support of the proposed transaction. The Amended Complaint also adds allegations concerning the existence of certain voting agreements by the members of the Parlux board of directors and other Parlux shareholders and allegations concerning a decline in the Company's share price since the announcement of the proposed transaction.

On January 31, 2012 a second putative class complaint, captioned as Jose Dias v. Fredrick E. Purches, et al., (Case Number 7199 VCG) was filed in the Court of Chancery for the State of Delaware on behalf of a purported stockholder of Parlux. The Dias action alleges the same claims and operative facts as the Anderson action, and requests similar relief. The Dias plaintiff, joined by the plaintiff in the Anderson action, filed a motion for a preliminary injunction seeking to enjoin the merger based on alleged breaches of fiduciary duty by the Parlux board in negotiating and approving the merger agreement, the alleged inadequacy of the merger consideration, and Parlux's alleged failure to make material disclosures relating to the merger. A hearing on the motion was held on March 23, 2012. On April 5, 2012, the Court of Chancery granted the motion in part and denied it in part. The Court ordered Parlux and the Company to file with the SEC certain additional information about the process followed by the financial advisors to Parlux's board of directors, which both companies did on April 6, 2012. The Court did not enjoin the stockholder meeting scheduled for April 17, 2012, on the condition the additional information be filed, did not enjoin the consummation of the merger, and did not grant any relief other than that noted above. Discovery in the Dias litigation continues.

On February 9, 2012, a third putative class action complaint, captioned as Arthur Weill v. Esther Egozi Choukroun, et al., (Case Number 2012-CV-3508-07) was filed in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida on behalf of a purported stockholder of Parlux. The Weill action alleges the same claims and operative facts as the Anderson action and the Dias action and requests similar relief. Concurrent with the filing of the Weill action, the plaintiff filed a Motion to Consolidate Related Cases and for Appointment as Co-Lead Plaintiff and Approval of Co-Lead Counsel with respect to the Anderson and Weill actions. On February 24, 2012, the Court consolidated the Anderson and Weill actions. On February 29, 2012 the Court also granted the defendants' motion to stay the consolidated actions in light of the Dias action in Delaware.

On March 5, 2012 the plaintiff in the Anderson action in Florida, which has been stayed by order of the Florida Court, filed a new action in the Court of Chancery for the State of Delaware a captioned as Shirley Anderson v. Parlux Fragrances, Inc., et al. (Case Number 7305-VCP), alleging the same facts and claims as were in her Florida action. Plaintiff has not served this action on the Company. As noted above, however, the plaintiff in this action joined in the motion for a preliminary injunction filed in the Dias action described above.

We are also involved in legal proceedings in the ordinary course of business. Management cannot presently predict the outcome of these or any of the above three matters, although management believes that the ultimate resolution of these matters will not have a materially adverse effect on our financial position, operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our common stock is traded on the NASDAQ Stock Market under the symbol PERF. The following table sets forth the high and low sales prices for our common stock for the periods indicated, as reported by the NASDAQ Stock Market.

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FISCAL 2011	HIGH	LOW
First Quarter	$13.17	$7.67
Second Quarter	$16.20	$9.72
Third Quarter	$19.50	$11.55
Fourth Quarter	$20.00	$9.75

FISCAL 2010	HIGH	LOW
First Quarter	$9.61	$5.08
Second Quarter	$11.99	$7.01
Third Quarter	$10.00	$7.42
Fourth Quarter	$10.50	$7.86

As of April 11, 2012, there were 44 holders of record, which excluded common stock held in street name.

DIVIDEND POLICY

We have not declared or paid any dividends on our common stock and do not currently intend to declare or pay cash dividends in the foreseeable future. Payment of dividends, if any, will be at the discretion of the Board of Directors after taking into account various factors, including our financial condition, results of operations, current and anticipated cash needs and plans for expansion.

Our bank credit facility prohibits us from paying dividends or making other distributions to shareholders.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable

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

GENERAL

Management Overview

During fiscal 2011, the Company continued its efforts to improve its retail operations and in-store experience to maximize retail revenues, reduce its cost base and minimize discretionary spending, optimize inventory levels and improve inventory turns, working capital and operating cash flows.

Net sales increased 1.8% from $484.8 million in fiscal 2010 to $493.5 million in fiscal 2011, due to an increase in retail sales offset by a decrease in wholesale sales. Retail sales increased 8.3% compared to the prior year as a result of increases in sales for both Perfumania and SOW, driven by increases in prices per unit as well as in customer traffic. Wholesale revenues decreased by 11.7% from the prior year as a result of less product availability and less customer demand.

Total gross profit increased 5.7% from $180.8 million in fiscal 2010 to $191.1 million in fiscal 2011.

Our operating expenses increased 2.5% from $174.1 million in fiscal 2010 to $178.5 million in fiscal 2011. Included in operating expenses for fiscal 2011 are $2.3 million of expenses related to the pending merger with Parlux. See further discussion at Item 1 of this Form 10-K.

Including $7.8 million of interest expense, we realized a net income of approximately $4.1 million in fiscal 2011, compared with a net loss of $3.7 million in fiscal 2010.

The following table sets forth selected items from our consolidated statements of operations expressed as a percentage of total net sales for the periods indicated:

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PERCENTAGE OF NET SALES

	Fiscal Year Ended January 28, 2012		Fiscal Year Ended January 29, 2011	
Total net sales	100.0	%	100.0	%
Total gross profit	38.7		37.3	
Selling, general and administrative expenses	33.9		33.4	
Asset impairment	0.2		0.6	
Merger related expenses	0.5		—	
Depreciation and amortization	1.6		1.9	
Total operating expenses	36.2		35.9	
Income from operations	2.5		1.4	
Interest expense	1.6		2.7	
Income (loss) before income taxes	0.9		(1.3	)
Income tax provision (benefit)	0.1		(0.5	)
Net income (loss)	0.8	%	(0.8	)%

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Preparation of these statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, management evaluates its estimates, including those related to bad debts, inventories, asset impairments, sales returns and allowances, and other contingent assets and liabilities. As such, some accounting policies have a significant impact on amounts reported in these financial statements. The judgments and estimates made can significantly affect results. Materially different amounts might be reported under different conditions or by using different assumptions. We consider an accounting policy to be critical if it is both important to the portrayal of our financial condition and results of operations, and requires significant judgment and estimates by management in its application. We have identified certain critical accounting policies that affect the significant estimates and judgments used in the preparation of our financial statements.

Accounts Receivable, Net of Allowances

In the normal course of business, we extend credit to wholesale customers that satisfy pre-determined credit criteria. Accounts receivable, net of allowances, as shown on the consolidated balance sheets, is net of allowances for doubtful accounts. An allowance for doubtful accounts is determined through the analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of our customers and an evaluation of the impact of economic conditions. Should circumstances change or economic conditions deteriorate significantly, we may need to increase our provisions.

Inventory Adjustments and Writeoffs

Inventories are stated at the lower of cost or market, with cost being determined on a weighted average cost basis. We review our inventory on a regular basis for excess and potentially slow moving inventory based on prior sales, forecasted demand and historical experience and through specific identification of obsolete or damaged merchandise and we record adjustments to reduce the carrying value of inventory to the lower of cost or market in accordance with our assessment. If actual sales are less than our forecasts, additional writeoffs could be necessary. Inventory shrinkage is estimated and accrued between physical inventory counts. Significant differences between future experience and that which was projected (for either the shrinkage or inventory reserves) could affect the recorded amounts of inventory and cost of sales.

Impairment of Long-Lived Assets

When events or changes in circumstances indicate that the carrying values of long-lived assets may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to projected future undiscounted cash flows in addition to other quantitative and qualitative analyses. Inherent in this process is significant management judgment as to the projected cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Company recognizes an impairment loss as a charge against current operations. Property and equipment assets are grouped at the lowest

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level for which there are identifiable cash flows when assessing impairment. Cash flows for retail assets are identified at the individual store level. Factors that could trigger an impairment review include a significant underperformance relative to expected historical or projected future operating results, or a significant negative industry or economic trend. Judgments are also made as to whether under-performing stores should be closed. Even if a decision has been made not to close an under-performing store, the assets at that store may be impaired.

The Company conducted an internal review of its long-lived assets (primarily leasehold improvements) at the store level in fiscal 2010 and determined that the carrying value of certain assets exceeded their projected future undiscounted cash flows. The Company then determined the fair value of the identified long-lived assets by discounting their projected future cash flows using a rate approximating the Company’s weighted average cost of capital, which resulted in an impairment charge of approximately $2.2 million. The Company conducted a similar review of its long-lived assets at the store level in fiscal 2011 and recorded an impairment charge of approximately $0.3 million. In fiscal 2011 and 2010, we also recorded impairment charges of approximately $0.8 million in each year, on a building under a capital lease.

As the projection of future cash flows requires the use of judgments and estimates, if actual results are materially different than these judgments or estimates, additional charges could be necessary. Significant deterioration in the performance of the Company’s stores compared to projections could result in significant additional asset impairments.

Impairment of Intangible Assets

The Company’s owned tradenames that have been determined to have indefinite lives are not subject to amortization but are reviewed at least annually for potential impairment. The fair values are estimated and compared to their carrying values. Fair value is principally estimated using a discounted cash flow model which depends on, among other factors, estimates of future sales and expense trends, liquidity and capitalization. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We recognize an impairment loss when the estimated fair value is less than the carrying value.

Trademarks, including tradenames and owned licenses having finite lives are amortized over their respective lives to their estimated residual values and are also reviewed for impairment. The recoverability of the carrying values of all long-lived assets with finite lives is re-evaluated when changes in circumstances indicate the assets’ value may be impaired.

There was no recorded goodwill as of January 28, 2012 and January 29, 2011. Based on management’s impairment review at January 28, 2012 and January 29, 2011, there was no impairment of trademarks or tradenames in fiscal 2011 or 2010. We will continue to monitor the expected future cash flows of the Company’s reporting units and the long-term market capitalization trends to assess the carrying values of the intangible assets.

Sales and Allowances

Revenue from wholesale transactions is recorded when title passes. Wholesale revenue is recorded net of returns, discounts and allowances. Revenue from retail sales is recorded, net of discounts, at the point of sale for Perfumania stores, and for consignment sales, when sale to the ultimate customer occurs. Revenue from Internet sales is recognized at the time products are delivered to customers. We record an estimate of returns, discounts and allowances, and review and refine these estimates on a regular basis based on current experience and trends. Our historical estimates of these costs have not differed materially from actual results; however, if the actual rate of sales returns increases significantly, our operating results could be adversely affected.

Valuation of Deferred Tax Assets

Accounting guidance requires that deferred tax assets be evaluated for future realization and reduced by a valuation allowance to the extent we believe it is more likely than not that a portion of these assets will not be realized. The guidance also prescribes a comprehensive model for the financial statement recognition, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure. We consider many factors when assessing the likelihood of future realization of our deferred tax assets including our recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, the carry-forward periods available to us for tax reporting purposes and other relevant factors. The range of possible judgments relating to the valuation of our deferred tax assets is very wide. Significant judgment is required in making these assessments and it is very difficult to predict when, if ever, our assessment may conclude that the remaining portion of our deferred tax assets is realizable. Significant differences between future experience and that which was projected in calculating deferred tax assets could result in significant additional adjustments to our deferred tax assets and income tax expense.

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FISCAL YEAR 2011 COMPARED TO FISCAL YEAR 2010

Net Sales:

We recognized net sales of $493.5 million in fiscal 2011, an increase of 1.8% from the $484.8 million recorded in fiscal 2010. The breakdown of sales between retail and wholesale was as follows:

	For the year ended ($ in thousands)				
	January 28, 2012	Percentage of Sales	January 29, 2011	Percentage of Sales	Percentage Increase (Decrease)
Retail	$354,488	71.8 %	$327,291	67.5 %	8.3%
Wholesale	139,019	28.2 %	157,509	32.5 %	(11.7)%
Total net sales	$493,507	100.0 %	$484,800	100.0 %	1.8%

Retail sales increased by 8.3% from $327.3 million in fiscal 2010 to $354.5 million in fiscal 2011. The increase was due to an increase in Perfumania's retail sales of $21.4 million and an increase in SOW's consignment sales of $5.8 million.

Perfumania's retail sales for fiscal 2011 increased by 8.2% from $261.4 million in 2010 to $282.8 million in fiscal 2011. The average number of stores operated was 347 in fiscal 2011 compared with 367 in fiscal 2010. Perfumania's comparable store sales increased by 10.4% during fiscal 2011. Comparable store sales measure sales from stores that have been open for one year or more. We exclude stores that are closed for renovation from comparable store sales from the month during which renovation commences until the first full month after reopening. The average retail price per unit sold during fiscal 2011 increased 1.8% from fiscal 2010 and the total number of units sold increased by 6.5%. The increase in the average retail price per unit sold and the increase in the number of units sold were due to an increase in customer traffic and various store level promotions.

SOW's consignment sales increased from $65.9 million in fiscal 2010 to $71.7 million in fiscal 2011. The increase in SOW's net sales is due primarily to an increase in sales by SOW's largest customer as well as sales from one new consignment arrangement during fiscal 2011.

The decrease in wholesale sales of $18.5 million is the result of less product availability for the wholesale division and less customer demand during fiscal 2011 compared with the prior year.

Cost of Goods Sold:

Cost of goods sold, which includes the cost of merchandise sold, inventory valuation adjustments, inventory shortages, damages and freight charges, decreased 0.5% from $304.0 million in fiscal 2010 to $302.4 million in fiscal 2011. The breakdown between wholesale and retail was as follows:

	For the year ended ($ in thousands)		
	January 28, 2012	January 29, 2011	Percentage Increase (Decrease)
Retail	$197,800	$184,257	7.4%
Wholesale	104,565	119,694	(12.6)%
Total cost of goods sold	$302,365	$303,951	(0.5)%

The decrease in cost of goods sold was due to a decrease in wholesale sales offset by an increase in retail sales.

Gross Profit:

Gross profit increased 5.7% from $180.8 million in fiscal 2010 to $191.1 million in fiscal 2011. The breakdown between wholesale and retail was as follows:

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	For the year ended ($ in thousands)		
	January 28, 2012	January 29, 2011	Percentage Increase (Decrease)
Retail	$156,688	$143,034	9.5%
Wholesale	34,454	37,815	(8.9)%
Total gross profit	$191,142	$180,849	5.7%

Gross profit percentages for the same periods were:

	For the year ended	
	January 28, 2012	January 29, 2011
Retail	44.2%	43.7%
Wholesale	24.8%	24.0%
Gross profit margin	38.7%	37.3%

The increase in gross profit resulted from an increase in retail gross profit by both Perfumania and SOW offset by a decrease in wholesale gross profit due to lower wholesale sales during fiscal 2011 as discussed above.

Perfumania's retail gross profit for fiscal 2011 increased by 5.4% to $129.1 million compared with $122.5 million in 2010. For these same periods, Perfumania's retail gross margins were 45.6% and 46.9%, respectively.

Operating Expenses:

Operating expenses increased 2.5% from $174.1 million in fiscal 2010 to $178.5 million in fiscal 2011.

Selling, general and administrative expenses include payroll and related benefits for our distribution center, sales, store operations, field management, purchasing and other corporate office and administrative personnel; rent, common area maintenance, real estate taxes and utilities for our stores, distribution center and corporate office; advertising, consignment fees, sales promotion, insurance, supplies, freight out, and other administrative expenses. The breakdown of operating expenses was as follows:

	For the year ended ($ in thousands)		
	January 28, 2012	January 29, 2011	Percentage Increase (Decrease)
Selling, general and administrative	$167,348	$162,157	3.2%
Asset impairment	1,141	3,001	(62.0)%
Merger related expenses	2,267	—	—%
Depreciation and amortization	7,713	8,909	(13.4)%
Total operating expenses	$178,469	$174,067	2.5%
Income from operations	$12,673	$6,782	86.9%

Selling, general and administrative expenses increased 3.2% from $162.2 million in fiscal 2010 to $167.3 million in fiscal 2011. Included in selling, general and administrative expenses are expenses in connection with service agreements with Quality King Distributors, Inc. ("Quality King"), which were $0.7 million and $0.6 million for fiscal 2011 and fiscal 2010, respectively. These service agreements are described in Note 5 to the consolidated financial statements included in Item 8 of this Form 10-K.

At the end of both fiscal 2011 and fiscal 2010, we conducted an internal review of the Company's long-lived assets and determined that the carrying value of certain assets exceeded their future undiscounted cash flows. We then determined the fair value of the identified long-lived assets by discounting their future cash flows using a rate approximating the Company's weighted average cost of capital, which resulted in impairment charges of approximately $0.3 million and $2.2 million in fiscal years 2011 and 2010, respectively. We also recorded impairment charges of approximately $0.8 million relating to a capital lease on a building during both fiscal years 2011 and 2010.

Merger related expenses during fiscal 2011 consist mainly of legal and investment banking fees incurred for the pending

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merger with Parlux. See further discussion at Item 1 of this Form 10-K.
Depreciation and amortization was approximately $7.7 million in fiscal 2011, compared to $8.9 million in fiscal 2010.
As a result of the foregoing, we recognized income from operations in fiscal 2011 of approximately $12.7 million compared to income from operations in fiscal 2010 of $6.8 million.
Other Expenses:

	For the year ended ($ in thousands)		
	January 28, 2012	January 29, 2011	Percentage Decrease
Interest expense	$7,824	$12,857	(39.1)%

Interest expense was approximately $7.8 million for fiscal 2011 compared with approximately $12.9 million in fiscal 2010. The decrease in interest expense is due to a lower average outstanding balance and a lower overall average interest rate on the Company’s revolving credit facility during fiscal 2011 compared with fiscal 2010, a lower overall average interest rate on the Company's outstanding notes payable to affiliates during fiscal 2011 compared with fiscal 2010 and a decrease in the amortization of deferred finance costs in fiscal 2011 compared with fiscal 2010.
Income Tax Provision:

	For the year ended ($ in thousands)		
	January 28, 2012	January 29, 2011	Percentage Decrease
Income tax provision (benefit)	$718	$(2,351)	(130.5)%

Our effective tax rate for fiscal 2011 was 14.8% compared with a benefit of (38.7%) for fiscal 2010. In fiscal 2011, the effective tax rates differed from our Federal statutory rates primarily due to changes in our valuation allowances and net operating loss adjustments and expirations. In fiscal 2010, the effective tax rate differed from our Federal statutory rate primarily because the Company was able to carryback a portion of its net operating loss to the previously filed 2007 Federal tax return of Model Reorg, Inc., a predecessor company ("Model Reorg"), resulting in a claim for refund of Federal income taxes of approximately $2.5 million. During fiscal 2011, the amount of the claim was reduced to approximately $2.4 million as a result of an IRS examination.
We recognize deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. We recognize valuation allowances to reduce deferred tax assets to the amounts that are more likely than not to be realized. In assessing the likelihood of realization, we consider past taxable income, estimates of future taxable income and tax planning strategies. The Company continues to provide a full valuation allowance on all deferred tax assets.
Net Income
As a result of the foregoing, we realized a net income of approximately $4.1 million in fiscal 2011, compared to a net loss of $3.7 million in fiscal 2010.
LIQUIDITY AND CAPITAL RESOURCES
Our principal funding requirements are for inventory purchases, financing extended terms on accounts receivable, paying down accounts payable and debt, information systems enhancements, opening new stores and renovation of existing stores. These capital requirements generally have been satisfied through cash flows from operations, borrowings under the respective revolving credit facilities and notes payable to affiliates. Our liquidity is impacted by a number of factors, including sales levels, the amount of credit that our vendors extend to us and our borrowing capacity under our Senior Credit Facility.
The Senior Credit Facility is a $225 million revolving secured credit facility with a syndicate of banks, which is used for our general corporate purposes and those of its subsidiaries, including working capital. Revolving loans under the Senior Credit

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Facility may be drawn, repaid and reborrowed up to the amount available under a borrowing base calculated with reference to a specified percentage of the borrowers' eligible credit card receivables, a specified percentage of the borrowers' eligible trade receivables and a specified percentage of the borrowers' eligible inventory from time to time, which may be reduced by the lender in its reasonable discretion. The Senior Credit Facility also includes a sub-limit of $25 million for letters of credit and a sub-limit of $25 million for swing line loans (that is, same-day loans from the lead or agent bank). The Company and certain of its subsidiaries are co-borrowers under the Senior Credit Facility, and our other subsidiaries have guaranteed all of their obligations. The Company and its subsidiaries are required to maintain availability under the facility of at least the greater of 10% of the aggregate amount that may be advanced against eligible credit card receivables, trade receivables and inventory or $10 million. At January 28, 2012, we were in compliance with all financial and operating covenants under the Senior Credit Facility and we had borrowing availability of $82.3 million, based on the borrowing base at that date. We also have a number of unsecured notes payable outstanding to certain family trusts of members of the Nussdorf family that in aggregate total $95.4 million of principal. No payments of principal may be made on any of these notes payable to affiliates before the maturity of the Senior Credit Facility, although interest payments are permitted under certain conditions, including the Company's maintaining excess availability under the Senior Credit Facility of $17.5 million (or 17.5% of commitment) and a fixed charge coverage ratio, as defined in the Senior Credit Facility, of 1.1:1.0. Further information about the Senior Credit Facility and these notes payable to affiliates is included in Note 7 to the consolidated financial statements included in Item 8 of this Form 10-K.The Company expects to obtain financing for the cash portion of the consideration payable in the Parlux Merger from two sources. First, it will use borrowings under the Senior Credit Facility of up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the merger and related transactions. Second, it will borrow a total of $30 million from the Nussdorf family trusts described above, which amount will be subordinated to the Senior Credit Facility on the same basis as the Company's existing indebtedness to the trusts.

Cash provided by (used in) operating activities primarily represents income before depreciation and non-cash charges and after changes in working capital. Working capital is significantly impacted by changes in accounts receivable, inventory and accounts payable. The $45.0 million increase in cash flows from operations in fiscal 2011 as compared to fiscal 2010 was primarily due to the net income for fiscal 2011 compared with the net loss in fiscal 2010 and changes in working capital. Our accounts receivables decreased in fiscal 2011 due to lower wholesale sales in fiscal 2011 compared to fiscal 2010. Inventory levels decreased in fiscal 2011 due to an effort by management to optimize and reduce inventory levels resulting in lower inventory purchases, and accounts payable fluctuations are generally determined by the timing of merchandise purchases and payments.

Our purchases from related parties (described in detail in Note 5 to our consolidated financial statements) are generally payable in 90 days; however due to the seasonality of our business, these terms are generally extended. Related party accounts have historically been brought closer to terms at the end of the holiday season. During the rest of the year, the Company has relied upon these extended terms to provide a portion of its liquidity.

Net cash used in investing activities was approximately $4.0 million in fiscal 2011, compared to $3.0 million in fiscal 2010. Fiscal 2011 investing activities primarily involved spending for renovation of 25 existing stores, opening 9 new Perfumania stores and relocating 3 stores, as well as information technology and other corporate enhancements. At January 28, 2012, Perfumania operated 344 stores. We plan to open a minimum of 9 stores in fiscal 2012 and plan to close approximately 3 stores. We anticipate we will spend approximately $4.0 million in fiscal 2012 on capital expenditures, which will be used for Perfumania new store construction and remodels, and information technology enhancements. We continuously evaluate the appropriate new store growth rate in light of economic conditions and may adjust the growth rate as conditions change.

Net cash used in financing activities during fiscal 2011 was approximately $29.4 million, compared with net cash provided by financing activities of approximately $13.3 million in fiscal 2010. The fiscal 2011 increase in cash used in financing activities reflects a decrease in the balance of the bank line of credit due to the timing of payments to our accounts payable vendors.

A summary of our cash flows for fiscal 2011 and fiscal 2010 is as follows (in thousands):

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	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Summary Cash Flow Information:		
Cash provided by (used in) operating activities	$33,922	$(11,083)
Cash used in investing activities	(4,044)	(2,978)
Cash (used in) provided by financing activities	(29,432)	13,346
Increase (decrease) in cash	446	(715)
Cash and cash equivalents at beginning of year	1,236	1,951
Cash and cash equivalents at end of year	$1,682	$1,236

Based on past performance and current expectations, we believe that our cash balances and the available borrowing capacity under our revolving credit facility, our affiliated borrowings and our projected future operating results will generate sufficient liquidity to support the Company's working capital needs, capital expenditures and debt service in the short and long-term. However, as discussed above, the amount of availability under the Senior Credit Facility depends on our eligible receivables and inventory at any given time, and may be further reduced by our bankers, which could have a material adverse effect on our financial condition and results of operations. Our bankers also would have the right to terminate our Senior Credit Facility if we default on our covenants, which would require us to seek alternative financing in a highly unfavorable credit environment. Furthermore, the state of the national economy may worsen, which would further restrict customers' ability to purchase fragrance products. Any of these circumstances, as well as any of the matters discussed in "Risk Factors" above, could have a materially adverse effect on our business operations and financial condition, so there can be no assurance that management's plans and expectations will be successful.

SIGNIFICANT CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's significant contractual obligations at January 28, 2012. Certain of these contractual obligations are reflected in our consolidated balance sheet at January 28, 2012, while others are disclosed as future obligations.

	Payments due by periods				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Revolving credit facility (1)	$30,057	$—	$30,057	$—	$—
Notes payable-affiliate (1)	95,366	—	—	95,366	—
Capital lease obligations (2)	8,081	1,413	2,798	2,654	1,216
Operating lease obligations (3)	173,234	28,816	47,963	37,855	58,600
Minimum royalty obligations	6,120	2,285	2,860	775	200
Other	66	66	—	—	—
	$312,924	$32,580	$83,678	$136,650	$60,016

(1) This balance represents principal only as the interest rate is variable and accrues on outstanding balances which vary throughout the year.

(2) Excludes projected sublease revenue we anticipate receiving on excess facility space.

(3) Excludes any amounts related to maintenance, taxes, insurance and other charges payable under operating lease agreements due to the future variability of these amounts.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements as defined by Item 303 (a) (4) of Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial information and the supplementary data required in response to this Item are as follows:

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Supplemental schedules have been omitted, as all required information is disclosed or not applicable.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Perfumania Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Perfumania Holdings, Inc. and Subsidiaries as of January 28, 2012 and January 29, 2011, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perfumania Holdings, Inc. and Subsidiaries as of January 28, 2012 and January 29, 2011, and their results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ J.H. Cohn LLP

Jericho, New York

April 16, 2012

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PERFUMANIA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	January 28, 2012	January 29, 2011
ASSETS:		
Current assets:		
Cash and cash equivalents	$1,682	$1,236
Accounts receivable, net of allowances of $775 and $525, as of January 28, 2012 and January 29, 2011, respectively	17,671	20,305
Inventories	216,850	224,645
Prepaid expenses and other current assets	11,383	9,769
Total current assets	247,586	255,955
Property and equipment, net	24,493	28,050
Other assets, net	14,676	16,467
Total assets	$286,755	$300,472
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$29,838	$25,789
Accounts payable-affiliates	10,899	14,787
Accrued expenses and other liabilities	20,908	16,734
Current portion of notes payable-affiliate	—	373
Current portion of obligations under capital leases and other long-term debt	1,129	1,232
Total current liabilities	62,774	58,915
Revolving credit facility	30,057	57,879
Notes payable-affiliates	95,366	95,366
Long-term portion of obligations under capital leases	1,616	1,773
Other long-term liabilities	32,145	26,031
Total liabilities	221,958	239,964
Shareholders' equity:		
Preferred stock, $.10 par value, 1,000,000 shares authorized as of January 28, 2012 and January 29, 2011, none issued	—	—
Common stock, $.01 par value, 20,000,000 shares authorized; 9,868,267 and 9,865,000 shares issued and outstanding as of January 28, 2012 and January 29, 2011, respectively	99	99
Additional paid-in capital	125,344	125,186
Accumulated deficit	(52,069)	(56,200)
Treasury stock, at cost, 898,249 shares as of January 28, 2012 and January 29, 2011	(8,577)	(8,577)
Total shareholders' equity	64,797	60,508
Total liabilities and shareholders' equity	$286,755	$300,472

See accompanying notes to consolidated financial statements.

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PERFUMANIA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Net sales	$ 493,507	$ 484,800
Cost of goods sold	302,365	303,951
Gross profit	191,142	180,849
Operating expenses:		
Selling, general and administrative expenses	167,348	162,157
Asset impairment	1,141	3,001
Merger related expenses	2,267	—
Depreciation and amortization	7,713	8,909
Total operating expenses	178,469	174,067
Income from operations	12,673	6,782
Interest expense	7,824	12,857
Income (loss) before income tax provision	4,849	(6,075)
Income tax provision (benefit)	718	(2,351)
Net income (loss)	$ 4,131	$ (3,724)
Net income (loss) per common share:		
Basic and diluted	$ 0.46	$ (0.42)
Weighted average number of common shares outstanding:		
Basic	8,967,666	8,966,612
Diluted	9,028,235	8,966,612

See accompanying notes to consolidated financial statements.

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PERFUMANIA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Total
Balance at January 31, 2010	9,864,666	$99	$125,045	$ (52,476)	898,249	$(8,577)	$64,091
Share based compensation expense	—	—	139	—	—	—	139
Exercise of stock options	334	—	2	—	—	—	2
Net loss	—	—	—	(3,724)	—	—	(3,724)
Balance at January 29, 2011	9,865,000	99	125,186	(56,200)	898,249	(8,577)	60,508
Share based compensation expense	—	—	142	—	—	—	142
Exercise of stock options	3,267	—	16	—	—	—	16
Net income	—	—	—	4,131	—	—	4,131
Balance at January 28, 2012	9,868,267	$99	$125,344	$ (52,069)	898,249	$(8,577)	$64,797

See accompanying notes to consolidated financial statements.

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PERFUMANIA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Cash flows from operating activities:		
Net income (loss)	$ 4,131	$ (3,724)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Asset impairment	1,141	3,001
Loss on disposals of property and equipment	249	556
Depreciation and amortization	7,713	8,909
Amortization of deferred financing costs	899	2,397
Provision for losses on accounts receivable	232	172
Share based compensation	142	139
Change in operating assets and liabilities:		
Accounts receivable	2,402	4,905
Inventories	7,795	(8,607)
Prepaid expenses and other assets	(1,231)	591
Accounts payable-non affiliates	4,049	(9,228)
Accounts payable-affiliates	(3,888)	(20,490)
Accrued expenses and other liabilities	10,288	10,296
Net cash provided by (used in) operating activities	33,922	(11,083)
Cash flows from investing activities:		
Additions to property and equipment	(4,044)	(2,978)
Net cash used in investing activities	(4,044)	(2,978)
Cash flows from financing activities:		
Net (repayments) borrowings under bank line of credit	(27,822)	17,867
Repayments on affiliated notes payable	(373)	(640)
Payments of long-term debt and other	(146)	(159)
Deferred financing costs	—	(2,691)
Principal payments under capital lease obligations	(1,107)	(1,033)
Proceeds from exercise of stock options	16	2
Net cash (used in) provided by financing activities	(29,432)	13,346
Net increase (decrease) in cash	446	(715)
Cash and cash equivalents at beginning of year	1,236	1,951
Cash and cash equivalents at end of year	$ 1,682	$ 1,236
Supplemental information:		
Cash paid during the period for:		
Interest	$ 1,729	$ 3,990
Income taxes	$ 853	$ 674
Non-cash investing activities:		
Purchase of equipment under capital lease	$ 245	$ —

See accompanying notes to consolidated financial statements.

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PERFUMANIA HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS

Perfumania Holdings, Inc. (the "Company") a Florida corporation, performs all of its operations through five wholly-owned subsidiaries, Quality King Fragrance, Inc. ("QFG"), Five Star Fragrance Company, Inc. ("Five Star"), Scents of Worth ("SOW"), Perfumania, Inc. ("Perfumania"), and Perfumania.com, Inc. ("Perfumania.com").

The Company's wholesale business, which is conducted through its subsidiary, QFG, distributes designer fragrances to mass market retailers, drug and other chain stores, retail wholesale clubs, traditional wholesalers, and other distributors throughout the United States. It sells principally to retailers such as Wal-Mart, Walgreens, Kohl's, Nordstrom Rack, Marshalls, Target, Ross Stores and CVS. The Company's manufacturing division is operated by another subsidiary, Five Star, which owns and licenses designer and other fragrance brands, paying royalties to the licensors based on a percentage of sales. Five Star also manufactures, on behalf of Perfumania, the Jerome Privee product line, which includes bath and body products and which is sold exclusively in Perfumania's retail stores. Five Star's owned and licensed brands are sold principally through the Company's wholesale business, SOW's consignment business, and Perfumania's retail stores. All manufacturing operations are outsourced to third party manufacturers. Five Star's sales and results of operations are not significant to the Company's results on a consolidated basis and are included within the Company's wholesale business for reporting purposes.

The Company's retail business is conducted through its subsidiaries, 1) Perfumania, a specialty retailer of fragrances and related products, 2) Perfumania.com, an Internet retailer of fragrances and other specialty items and 3) SOW, which sells fragrances in retail stores on a consignment basis. Perfumania is a leading specialty retailer and distributor of a wide range of brand name and designer fragrances. As of January 28, 2012, Perfumania operated a chain of 344 retail stores, including one seasonal location, specializing in the sale of fragrances and related products at discounted prices up to 75% below the manufacturers' suggested retail prices. Perfumania's retail stores are located in regional malls, manufacturers' outlet malls, lifestyle centers, airports and on a stand-alone basis in suburban strip shopping centers, throughout the United States and Puerto Rico. Perfumania.com offers a selection of our more popular products for sale over the Internet and serves as an alternative shopping experience to the Perfumania retail stores. SOW operates the largest national designer fragrance consignment program, with contractual relationships to sell products on a consignment basis in approximately 2,400 stores, including more than 1,300 Kmart locations nationwide. Its other retail customers include Burlington Coat Factory, Loehmann's, Daffy's, Steinmart and K&G. There were no customers who accounted for more than 10% of net sales in fiscal 2011 or 2010.

PENDING MERGER

The Company has entered into a merger agreement dated as of December 23, 2011, under which it plans to acquire Parlux Fragrances, Inc. ("Parlux"), a publicly-traded company that is in the business of creating, designing, manufacturing, distributing and selling prestige fragrances and beauty related products. Parlux, which markets its products primarily through specialty stores, national department stores and perfumeries on a worldwide basis, had net sales of $123 million for its most recently audited fiscal year ended March 31, 2011. See Note 5 for a discussion of transactions with Parlux. The consideration to be delivered by Perfumania to Parlux stockholders for the acquisition (which we refer to as the "Merger") will consist of cash and company stock with an aggregate value of approximately $115.5 million, based on the $9.05 closing sale price of Perfumania common stock on the Nasdaq Stock Market on April 13, 2012.

At the effective time of the Merger (the "Effective Time"), each issued and outstanding share of Parlux common stock will be cancelled and automatically converted into the right to receive either (i) $4.00 in cash plus 0.20 shares of Perfumania common stock (the "Mixed Consideration") or (ii) .53333 shares of validly issued, fully paid and non-assessable shares of Perfumania common stock ("Stock Consideration"), subject to adjustment as described below. Parlux stockholders may elect whether they would prefer to receive Mixed Consideration or Stock Consideration, however, the maximum amount of cash that will be paid is $61.9 million and the maximum amount of Perfumania common stock that will be paid is 5,919,052 shares, which amounts are subject to adjustment in certain circumstances provided in the Merger Agreement, including to reflect any issuance of Parlux shares due to the exercise of options, to adjust the maximum cash consideration for each share of Parlux stock as to which appraisal rights have been exercised, and for any shortfall of Parlux cash or cash equivalents at the Effective Time below a target amount calculated as provided in the Merger Agreement. In addition, if Parlux stockholders elect, in the aggregate, to receive more Perfumania shares than the maximum number available, holders electing to receive all stock consideration will receive a proportionate amount of the maximum available shares plus cash for the shares elected but not issued.

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The Company expects to obtain financing for the cash portion of the merger consideration from two sources. First, it will use borrowings under its existing Senior Credit Facility (which is further described in Note 7) of up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the merger and related transactions. Second, it will borrow a total of $30 million from certain family trusts of its principal shareholders, Stephen Nussdorf, Glenn Nussdorf, and Arlene Nussdorf. The new loans will be subordinated to the Senior Credit Facility on the same basis as the Company's existing indebtedness to the Nussdorf trusts.

The Merger is subject to the approval of the shareholders of both companies. Special shareholder meetings are scheduled for April 17, 2012. Assuming the necessary approvals, and subject to the satisfaction or waiver of other conditions set forth in the merger agreement, we expect the Merger to close shortly after the shareholder meetings. Included in our operating expenses for fiscal 2011 are Merger-related expenses of approximately $2.3 million.

OTHER MATTERS - LIQUIDITY ENHANCEMENT

In January 2011, the Company entered into a new $225 million Senior Credit Facility (the “Senior Credit Facility”) (see Note 7). The Company currently anticipates that cash flows from operations and the projected borrowing availability under the Senior Credit Facility will be sufficient to fund its liquidity requirements for at least the next twelve months. Nevertheless, there can be no certainty that availability under the Senior Credit Facility will be sufficient to fund the Company’s liquidity needs. The sufficiency and availability of the Company’s projected sources of liquidity may be adversely affected by a variety of factors, including, without limitation, the level of the Company’s operating cash flows, which will be impacted by retailer and consumer acceptance of the Company’s products; general economic conditions and the level of consumer spending; and the Company’s ability to comply with financial and other covenants included in the Senior Credit Facility.

The Company has incurred substantial indebtedness to fund its business. If the Company does not have a sufficient borrowing base at any given time, borrowing availability under the Senior Credit Facility may not be sufficient to support liquidity needs. Insufficient borrowing availability under the Senior Credit Facility would have a material adverse effect on the Company’s financial condition and results of operations. If the Company were unable to comply with the requirements in the Senior Credit Facility, it would be unable to borrow under such agreement and any amounts outstanding would become immediately due and payable, which would have a material adverse effect on the Company’s financial condition, results of operations and liquidity. If we need to raise additional funds to support our operations, we may not be able to do so on favorable terms, or at all. Without such funding, we may need to modify or abandon our growth strategy or eliminate product offerings, either of which could negatively impact our financial position.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and practices used by the Company in the preparation of the accompanying consolidated financial statements are as follows:

FISCAL YEAR END

The Company’s fiscal year end ends on the Saturday closest to January 31 to enable the Company’s operations to be reported in a manner consistent with general retail reporting practices and the financial reporting needs of the Company. In the accompanying Notes, fiscal 2011 refers to the fiscal year beginning January 30, 2011 and ending January 28, 2012 and fiscal 2010 refers to the fiscal year beginning January 31, 2010 and ending January 29, 2011.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates made by management in the accompanying consolidated financial statements relate to the valuation of accounts receivable and inventory balances, self-insured health care accruals, long-lived asset impairments, estimated useful lives of property and equipment and deferred tax assets and sublease rentals on a capital lease. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less are classified as cash and cash equivalents. The fair value of cash and cash equivalents approximates the amounts shown on the financial statements. Cash and cash equivalents consist of unrestricted cash in accounts maintained with major financial institutions. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed federally insured limits.

ACCOUNTS RECEIVABLE

The Company's accounts receivable consist primarily of trade receivables due from wholesale sales. Also included are credit card receivables and receivables due from consignment sales relating to the Company's retail business segment. Generally, there are three to four days of retail sales transactions outstanding with third-party credit card vendors and approximately one to two weeks of consignment retail sales at any point in time. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of the Company's customers and an evaluation of the impact of economic conditions.

INVENTORIES

Inventories, principally consisting of finished goods, are stated at the lower of cost or market with cost being determined on a weighted average basis. The cost of inventory includes product cost and freight charges. Write-offs of potentially slow moving or damaged inventory are recorded based on management's analysis of inventory levels, future sales forecasts and through specific identification of obsolete or damaged merchandise.

PROPERTY AND EQUIPMENT

Property and equipment is carried at cost, less accumulated depreciation and amortization. Depreciation for property and equipment, which includes assets under capital leases, is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease including one stated renewal period that is reasonably assured, or the estimated useful lives of the improvements, generally ten years, with the exception of the improvements on the corporate office and warehouse in Bellport, New York which has a lease term of twenty years. Costs of major additions and improvements are capitalized and expenditures for maintenance and repairs which do not extend the useful life of the asset are expensed when incurred. Gains or losses arising from sales or retirements are reflected in operations. See Note 4.

INTANGIBLE ASSETS

Intangible assets with indefinite lives are not amortized, but rather tested for impairment at least annually. The fair values are estimated and compared to their carrying values.

Trademarks, including tradenames and owned licenses having finite lives are recorded at cost and are amortized over their respective lives to their estimated residual values and are also reviewed for impairment when changes in circumstances indicate the assets' value may be impaired. Impairment testing is based on a review of forecasted operating cash flows and the profitability of the related brand. If the Company incurs costs to renew or extend the terms of intangible assets, these costs would be expensed as incurred.

GIFT CARDS

Upon the purchase of a gift card by a retail customer, a liability is established for the cash value of the gift card. The liability is included in accrued expenses and other liabilities. The liability is relieved and revenue is recognized at the time of the redemption of the gift card. Over time, some portion of gift cards issued is not redeemed. If this amount is determined to be material to the Company's consolidated financial statements, it will be recorded as a reduction of selling, general and administrative expenses, when it can be determined that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (often referred to as gift card breakage). No gift card breakage has been recorded in the consolidated statements of operations for any year presented in these financial statements. Gift cards issued by the Company do not have expiration dates.

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LOYALTY REWARDS PROGRAM

During fiscal 2011, Perfumania launched a customer loyalty rewards program which allows members to earn points for each qualifying purchase. Points earned enable members to receive a certificate that may be redeemed on future purchases at our Perfumania stores or Perfumania.com website. Certificates expire sixty days from the date of issuance. The value of points earned by our loyalty rewards program members is included in accrued liabilities and recorded as a reduction of revenue at the time the points are earned. Revenue is recognized when a certificate is redeemed by the customer or a certificate expires. The value of points accrued as of January 28, 2012 was not material.

ACCRUED EXPENSES

Accrued expenses for self-insured employee medical benefits, contracted advertising, sales allowances, professional fees and other outstanding obligations are assessed based on claims experience and statistical trends, open contractual obligations and estimates based on projections and current requirements. If these trends change significantly, then actual results would likely be impacted.

REVENUE RECOGNITION

Revenue from wholesale transactions is recognized when title passes, which occurs either upon shipment of products or delivery to the customer. Revenue from retail sales is recorded, net of discounts, at the point of sale for Perfumania stores, and for consignment sales, when sale to the ultimate customer occurs. Revenue from Internet sales is recognized at the time products are delivered to customers. Shipping and handling revenue from our Internet sales is included as a component of net sales. Revenues are presented net of any taxes collected from customers and remitted to government agencies. Revenue from gift cards is recognized at the time of redemption. Returns of store and Internet sales are allowed within 30 days of purchase.

SALES AND ALLOWANCES

Allowances for sales returns are estimated and recorded as a reduction of sales based on our historical return patterns. Allowances provided for advertising, marketing and tradeshows are recorded as selling expenses since they are costs for services received from the customer which are separable from the customer’s purchase of the Company’s products. Accruals and allowances are estimated based on available information including third party and historical data.

COST OF GOODS SOLD

Cost of goods sold include the cost of merchandise sold, inventory valuation writedowns, inventory shortages, damages and freight charges.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses include payroll and related benefits for our store operations, field management, distribution center, purchasing and other corporate office and administrative personnel; rent, common area maintenance, real estate taxes and utilities for our stores, distribution centers and corporate office; advertising, consignment fees, sales promotion, insurance, supplies, professional fees and other administrative expenses.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the differences between the financial reporting carrying values and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized to reduce net deferred tax assets to amounts that management believes are more likely than not expected to be realized. Significant judgment is required in determining the provision for income taxes. Changes in estimates may create volatility in the Company’s effective tax rate in future periods for various reasons including, but not limited to: changes in tax laws/rates, forecasted amounts and mix of pre-tax income/loss, settlements with various tax authorities, the expiration of the statute of limitations on some tax positions and obtaining new information about particular tax positions that may cause management to change its estimates. In the ordinary course of business, the ultimate tax outcome is uncertain for many transactions. It is the Company’s policy to recognize, at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority, the impact of an uncertain income tax position on its income tax return. The tax provisions are analyzed at least quarterly and adjustments are made as events occur that warrant adjustments to those provisions. The Company records interest expense and penalties payable to relevant tax authorities as income tax expense.

Accounting standards prescribe a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. The Company may

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recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The accounting standards also provide guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. See further discussion at Note 8.

BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share includes, in periods in which they are dilutive, the dilutive effect of those common stock equivalents where the average market price of the common shares exceeds the exercise prices for the respective years.

Basic and diluted net income (loss) per common share are computed as follows:

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
	($ in thousands, except share amounts)	
Net income (loss) - basic and diluted	$4,131	$(3,724)
Denominator:		
Weighted average number of common shares - basic	8,967,666	8,966,612
Incremental shares from assumed exercise of equity based awards	60,569	—
Weighted average number of common shares - diluted	9,028,235	8,966,612
Basic and diluted income (loss) per common share	$0.46	$(0.42)

In fiscal 2011 and 2010, 1,510,500 and 2,419,912 potential shares of common stock, respectively, relating to stock option awards, warrants and in fiscal 2010, a convertible note, were excluded from the diluted loss per share calculation, as the effect of including these potential shares was antidilutive because the exercise prices were greater than the average market price for fiscal year 2011, and the net loss reported in fiscal 2010.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS

The carrying value of long-lived assets is evaluated whenever events or changes in circumstances indicate that the carrying values of such assets may be impaired. An evaluation of recoverability is performed by comparing the carrying values of the assets to projected undiscounted future cash flows in addition to other quantitative and qualitative analyses, including management's strategic plans and market trends. Upon indication that the carrying values of such assets may not be recoverable, the Company recognizes an impairment loss. The impairment loss is determined based on the difference between the net book value and the fair value of the assets. The estimated fair value is based on anticipated discounted future cash flows. Any impairment is charged to operations in the period in which it is identified. Property and equipment assets are grouped at the lowest level for which there are identifiable cash flows when assessing impairment. Cash flows for retail assets are identified at the individual store level. See Note 4 for a discussion of impairment charges for long-lived assets recorded in fiscal 2011 and 2010.

SHARE BASED COMPENSATION

Share based compensation expense is recognized on a straight-line basis over the requisite service period. We estimate the fair value of stock options granted using the Black-Scholes option valuation model. See further discussion at Note 10.

PRE-OPENING EXPENSES

Pre-opening expenses related to new stores are expensed as incurred.

SHIPPING AND HANDLING FEES AND COSTS

The cost related to shipping and handling for wholesale sales is classified as freight out, which is included in selling, general and administrative expenses. Income generated by retail sales from shipping and handling fees is classified as revenues and the costs related to shipping and handling are classified as cost of goods sold.

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ADVERTISING COSTS

Advertising expense for fiscal 2011 and fiscal 2010 was approximately $4.7 million and $2.9 million, respectively, and is charged to expense when incurred. We periodically receive cooperative advertising allowances and credits from certain vendors. The aggregate amount of such allowances and credits is immaterial to our results of operations.

RENT EXPENSE

The Company leases retail stores as well as a corporate office and distribution center under operating leases. Minimum rental expenses are recognized over the term of the lease on a straight-line basis. For purposes of recognizing minimum rental expenses, the Company uses the date when possession of the leased space is taken from the landlord, which includes a construction period of approximately two months prior to store opening. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability in accrued expenses on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of operations. For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the consolidated statements of operations.

Certain leases provide for contingent rents, which are primarily determined as a percentage of gross sales in excess of specified levels and are not measurable at inception. The Company records a contingent rent liability in accrued expenses on the consolidated balance sheets and the corresponding rent expense when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company’s assets and liabilities that qualify as financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, short-term debt, and accrued expenses, are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The reported amounts of long-term obligations approximate fair value, given management’s evaluation of the instruments’ current rates compared to market rates of interest and other factors.

CONCENTRATIONS OF CREDIT RISK

The Company is potentially subject to a concentration of credit risk with respect to its trade receivables, the majority of which are due from retailers and wholesale distributors. Credit risks also relate to the seasonal nature of the business. The Company’s sales are concentrated in November and December for the holiday season. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains allowances to cover potential or anticipated losses for uncollectible accounts. The Company maintains credit insurance on certain receivables, which minimizes the financial impact of uncollectible accounts.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued an accounting standards update to expand disclosure requirements for fair value measurements. This guidance requires entities to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. This accounting standards update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this new guidance is not expected to have a material impact on our financial condition or results of operations.

In June 2011, the FASB issued an accounting standards update to revise the manner in which entities present comprehensive income in their financial statements. This guidance requires entities to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income, either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This accounting standards update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As this standard relates only to the presentation of other comprehensive (loss) income, the adoption of this new guidance is not expected to have a material impact on our financial condition or results of operations.

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NOTE 3 - INTANGIBLE ASSETS

The following table provides information related to intangible assets (in thousands), which are included in other assets, net on the accompanying consolidated balance sheets as of January 28, 2012 and January 29, 2011:

		January 28, 2012			January 29, 2011		
	Useful Life (years)	Original Cost	Accumulated Amortization	Net Book Value	Original Cost	Accumulated Amortization	Net Book Value
Tradenames	7-20	$9,408	$6,381	$3,027	$9,408	$6,000	$3,408
Favorable leases	1-7	886	359	527	886	232	654
Tradename (non-amortizing)	N/A	8,500	—	8,500	8,500	—	8,500
		$18,794	$6,740	$12,054	$18,794	$6,232	$12,562

In accordance with accounting standards, intangible assets with indefinite lives are not amortized, but rather tested for impairment at least annually. The fair values are estimated and compared to their carrying values.

Trademarks, including tradenames and owned licenses having finite lives, are amortized over their respective lives to their estimated residual values and are also reviewed for impairment in accordance with accounting standards when changes in circumstances indicate the assets' value may be impaired. Impairment testing is based on a review of forecasted operating cash flows and the profitability of the related brand. Included in other assets, net, on the accompanying consolidated balance sheets as of January 28, 2012 and January 29, 2011 are $8.5 million related to the value of the Perfumania tradename, and $3.0 million and $3.4 million, respectively, for trademarks and licenses of Five Star.

Favorable leases resulted from the April 2009 asset purchase of three fragrance retail stores from an unrelated party. The total purchase price was not material to the Company's consolidated results. The favorable leases are being amortized over the remaining lives of the respective store leases. As of January 28, 2012 and January 29, 2011, the leases for two of the stores have matured and the favorable lease and related accumulated amortization balances have been written off. Impairment testing is based on a review of forecasted operating cash flows and the profitability of the remaining store.

During the fourth quarters of fiscal 2011 and 2010, the Company completed its annual impairment testing of non-amortizing intangible assets and concluded that there was no impairment of these assets.

Amortization expense associated with intangible assets subject to amortization is included in depreciation and amortization on the accompanying consolidated statements of operations, and amounted to approximately $0.5 million and $0.8 million for fiscal years 2011 and 2010, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

Fiscal Year	Amortization Expense
2012	$500
2013	476
2014	476
2015	476
2016	370
Thereafter	1,256
	$3,554

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NOTE 4 - PROPERTY AND EQUIPMENT
Property and equipment consisted of (in thousands):

	January 28, 2012	January 29, 2011	Estimated Useful Lives (In Years)
Buildings and improvements	$27,040	$26,240	Lesser of useful life or lease term
Furniture and fixtures	22,460	21,687	5-7
Machinery and equipment	4,561	3,915	5-7
	54,061	51,842	
Less:			
Accumulated depreciation	(29,568)	(23,792)	
	$24,493	$28,050	

Depreciation and amortization expense on property and equipment for fiscal 2011 and fiscal 2010 was $7.2 million and $8.1 million, respectively which included depreciation expense relating to building and equipment under capital leases of $0.5 million for both fiscal 2011 and 2010. Accumulated depreciation for building and equipment under capital leases was $1.5 million as of January 28, 2012 and $1.3 million at January 29, 2011. Net assets under capital leases were $2.7 million and $3.1 million at January 28, 2012 and January 29, 2011, respectively.
During fiscal 2011 and 2010, the Company recorded non-cash impairment charges of approximately $0.3 million and $2.2 million, respectively, to reduce the net carrying value of certain retail store assets (primarily leasehold improvements) to their estimated fair value, which was determined based on discounted expected future cash flows. Lower than expected operating cash flow performance relative to the affected assets and the impact of the current economic environment on their projected future results of operations indicated that the carrying value of the related long-lived assets were not recoverable. The Company also recorded non-cash impairment charges $0.8 million on a building under a capital lease during the fourth quarters of both fiscal 2011 and 2010 due to changes in anticipated sublease revenue. These asset impairment charges are included in asset impairment in the accompanying consolidated statements of operations.
See Note 12 for further discussion of capital leases.

NOTE 5 - RELATED PARTY TRANSACTIONS
Glenn and Stephen Nussdorf and their sister, Arlene Nussdorf, owned an aggregate 6,649,476 shares or approximately 74% of the total number of shares of the Company’s common stock as of January 28, 2012, excluding shares issuable upon conversion of the Warrants discussed in Note 10 and not assuming the exercise of any outstanding options held by the Company’s officers and directors. Stephen Nussdorf has served as the Chairman of the Company’s Board of Directors since February 2004 and Executive Chairman of the Board since April 2011.
The Nussdorfs are officers and principals of Quality King, which distributes pharmaceuticals and health and beauty care products, and the Company’s President and Chief Executive Officer, Michael W. Katz is an executive of Quality King.
See Note 7 for discussion of notes payable to affiliates.
Effective August 1, 2008, the Company’s subsidiary, Model Reorg Acquisition LLC, issued a $1.9 million promissory note payable to Mr. Katz, with interest at 4%, in equal monthly installments of $53,333 commencing September 1, 2008 and terminating August 1, 2011. Under a related stockholder agreement, Mr. Katz is bound by certain non-compete, non-solicitation and confidentiality covenants. The balance of the note payable was paid in August 2011. As of January 29, 2011, the note payable was included in current note payable - affiliate in the amount of $0.4 million on the accompanying consolidated balance sheets.
TRANSACTIONS WITH AFFILIATED COMPANIES
Glenn Nussdorf beneficially owned approximately 9.9% of the outstanding common stock of Parlux as of January 28, 2012. Perfumania has purchased merchandise from Parlux for about 20 years and is one of Parlux's largest customers. Perfumania primarily purchases certain brands, for which Parlux is the exclusive licensee, for distribution through

Perfumania's retail stores. Pricing and terms between Perfumania and Parlux reflect the volume of Perfumania's purchases, a policy of no returns from Perfumania, minimal spending by Parlux for advertising and promotion, the exposure of Parlux's products

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provided by being in Perfumania's store windows, and minimal distribution costs for Parlux to fulfill orders shipped directly to Perfumania's distribution center. See Note 1 for a discussion of the pending merger with Parlux.
Glenn Nussdorf has an ownership interest in Lighthouse Beauty Marketing, LLC, Lighthouse Beauty, LLC and Lighthouse Beauty KLO, LLC (collectively "Lighthouse Companies") all of which are manufacturers and distributors of prestige fragrances. In fiscal 2010, the Company began purchasing merchandise from the Lighthouse Companies. Glenn Nussdorf also has an ownership interest in Ricky's, a retailer specializing in fashion accessories, cosmetics and beauty supplies. During fiscal 2011, the Company purchased various beauty accessories from Ricky's. Starting in fiscal 2009, the Company also purchased merchandise from Quality King.

The amounts due to the above related companies are non-interest bearing and are included in accounts payable-affiliates in the accompanying consolidated balance sheets. Purchases from related parties are generally payable in 90 days; however, due to the seasonality of the Company's business, these terms are generally extended. Related party accounts have historically been brought closer to terms at the end of the holiday season. During the rest of the year, the Company has relied upon these extended terms to provide a portion of its liquidity. Transactions for merchandise purchases with these related companies during fiscal 2011 and 2010 were as follows:

	Total Purchases Fiscal Year Ended January 28, 2012 (in thousands)	Total Purchases Fiscal Year Ended January 29, 2011	Balance Due January 28, 2012	Balance Due January 29, 2011
Parlux	$44,059	$45,679	$10,476	$14,015
Quality King	—	3,529	—	—
Lighthouse Companies	11,113	9,388	128	724
Ricky's	218	—	11	—
	$55,390	$58,596	$10,615	$14,739

Glenn, Stephen and Arlene Nussdorf own GSN Trucking, Inc. ("GSN") which provides general transportation and freight services. The Company periodically utilizes GSN to transport both inbound purchases of merchandise and outbound shipments to wholesale customers. During fiscal 2011 and 2010, total payments to GSN for transportation services provided were approximately $0.1 million and $0.2 million, respectively. There was no balance due to GSN at January 28, 2012. The amount due to GSN at January 29, 2011 was less than $0.1 million and is included in accounts payable-affiliates in the accompanying consolidated balance sheets.
Quality King occupies a leased 560,000 square foot facility in Bellport, NY. The Company began occupying approximately half of this facility in December 2007 under a sublease that terminates on September 30, 2027, and this location serves as the Company's principal offices. As of January 28, 2012, the monthly current sublease payments are approximately $218,000 and increase by 3% annually. Total payments by the Company to Quality King in fiscal 2011 and 2010 for this sublease were approximately $2.6 million and $2.5 million, respectively.
The Company and Quality King are parties to a Services Agreement providing for the Company's participation in certain third party arrangements at the Company's respective share of Quality King's cost, including allocated overhead, plus a 2% administrative fee, and the provision of legal services. The Company also shares with Quality King the economic benefit of the bulk rate contract that the Company has with UPS to ship Quality King's merchandise and related items. The Services Agreement will terminate on thirty days' written notice from either party. During fiscal 2011 and 2010, the expenses charged under these arrangements to the Company were $0.7 million and $0.6 million, respectively. The balance due to Quality King as of January 28, 2012 and January 29, 2011 was $0.3 million and less than $0.1 million, respectively.

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NOTE 6 - ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	January 28, 2012	January 29, 2011
Payroll and related	$5,902	$5,013
Customer allowances	4,351	3,363
Taxes other than income taxes	2,087	2,100
Other	8,568	6,258
	$20,908	$16,734

NOTE 7 - REVOLVING CREDIT FACILITY, NOTES PAYABLE TO AFFILIATES AND SUBORDINATED CONVERTIBLE NOTE PAYABLE TO AFFILIATE

The revolving credit facility, notes payable to affiliates and subordinated convertible note payable to affiliates consist of the following:

	January 28, 2012 (in thousands)	January 29, 2011
Revolving credit facility, interest payable monthly, secured by a pledge of substantially all of the Company's assets	$30,057	$57,879
Subordinated convertible note payable-affiliates	—	5,000
Subordinated non-convertible notes payable-affiliates	95,366	90,739
	125,423	153,618
Less current portion	—	(373)
Total long-term debt	$125,423	$153,245

On January 7, 2011, the Company entered into a new $225 million revolving credit facility with a syndicate of banks (the "Senior Credit Facility"). The initial proceeds of the Senior Credit Facility were used to pay amounts incurred in connection with the Company's previous senior credit facility. The Senior Credit Facility is used for the Company's general corporate purposes and those of its subsidiaries, including working capital. The Company and certain of its subsidiaries are co-borrowers under the Senior Credit Facility, and certain of the Company's other subsidiaries have guaranteed all of the obligations thereunder.

The Senior Credit Facility is scheduled to expire on January 7, 2015, when all amounts will be due and payable in full. The Senior Credit Facility does not require amortization of principal and may be paid before maturity in whole or in part at the Company's option without penalty or premium.

Revolving loans under the Senior Credit Facility may be drawn, repaid and reborrowed up to the amount available under a borrowing base calculated with reference to a specified percentage of the borrowers' eligible credit card receivables, a specified percentage of the borrowers' eligible trade receivables and a specified percentage of the borrowers' eligible inventory from time to time, which may be reduced by the lender in its reasonable discretion. The Senior Credit Facility also includes a sub-limit of $25 million for letters of credit and a sub-limit of $25 million for swing line loans (that is, same-day loans from the lead or agent bank).

Interest under the Senior Credit Facility is, at the Company's election unless an Event of Default exists, at either (i) the highest of a "base rate", as defined in the agreement or (ii) the LIBOR rate, plus in each case, specified margins that are determined based upon the Company's excess availability as calculated under the facility from time to time. Interest rate margins for the first six months are set at 2.75% per annum for LIBOR Rate borrowings and 1.75% for base rate borrowings and may range between 0.25% higher and lower thereafter. As of January 28, 2012, the interest rate on LIBOR Rate borrowings was 2.81% and the interest rate on base rate borrowings was 4.75%. The Company is also required to pay monthly commitment fees ranging from .50% to .75% per annum of the unused amount of the Senior Credit Facility, depending on the average outstanding balance, and a monthly fee ranging from 2.50% to 3.00% per annum of the outstanding amount of letters of credit

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based upon its excess availability.
All obligations of the Company under the Senior Credit Facility and under any interest rate protection or other hedging arrangements entered into in connection with the Senior Credit Facility are secured by first priority perfected security interests in all existing and after-acquired personal property and owned real property owned by the Company and its subsidiaries, which are co-borrowers or guarantors, including, without limitation, 100% (or, in the case of excluded foreign subsidiaries, 66%) of the outstanding equity interests in their subsidiaries.
The Senior Credit Facility imposes customary limitations on the Company's ability to, among other things: incur additional indebtedness; incur liens or guarantee obligations; pay dividends and make other distributions; make investments and enter into joint ventures; dispose of assets; and engage in transactions with affiliates, except for certain existing arrangements under which the Company leases space and obtains certain business services from affiliated companies and other arrangements in the ordinary course of business and on an arms-length basis. The Senior Credit Facility also provides that advances to suppliers by the Company and its subsidiaries for five days or less may not exceed $8 million with respect to all suppliers or $5 million with respect to any one supplier (together with its affiliates) and other advances to suppliers may not exceed $4 million with respect to all suppliers or $3 million with respect to any one supplier (together with its affiliates). In addition, under the Senior Credit Facility, the Company and its subsidiaries must maintain availability under the facility of at least the greater of 10% of the aggregate amount that may be advanced against eligible credit card receivables, trade receivables and inventory or $10 million. As of January 28, 2012, the Company had $82.3 million available to borrow under the Senior Credit Facility based on the borrowing base at that date. In connection with the pending Parlux merger, the Company entered into an amendment to the Senior Credit Facility to enable it to, among other things, borrow up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the merger and related transactions.
Any failure to comply with the financial or operating covenants of the Senior Credit Facility or the occurrence of other customary events of default, including a change in control of the Company, would not only prevent the Company and its subsidiaries from being able to borrow additional funds, but would constitute a default, resulting in, among other things, the amounts outstanding, including all accrued interest and unpaid fees, becoming immediately due and payable. The Company was in compliance with all financial and operating covenants as of January 28, 2012.
As a condition of entering into the Senior Credit Facility, effective January 7, 2011, one of the Company's subsidiaries executed Amended and Restated Subordinated Promissory Notes amending certain outstanding unsecured subordinated debt obligations. The unsecured debt obligations that are subordinated to the Senior Credit Facility are as follows:
(i) a promissory note in the principal amount of $35 million, held by Quality King (the "QKD Note"), which provides for payment of principal in quarterly installments between April 30, 2015 and July 31, 2018 and payment of interest in quarterly installments commencing on January 31, 2011 at the then current senior debt rate, as defined in the Senior Credit Facility, plus 1% per annum;
(ii) promissory notes in the aggregate principal amount of approximately $55.4 million, held by six family trusts established by Glenn, Stephen and Arlene Nussdorf (the "Nussdorf Trust Notes"), which provide for payment of the principal in full on April 30, 2015 and payments of interest in quarterly installments commencing on January 31, 2011 at the then current senior debt rate plus 2% per annum; and
(iii) a promissory note in the principal amount of $5 million held by Glenn and Stephen Nussdorf (the "2004 Note"), which provides for payment in January 2009 and is currently in default because of the restrictions on payment described below, resulting in an increase of 2% in the nominal interest rate, which is the prime rate plus 1%. The 2004 Note was previously convertible into shares of the Company's common stock at $7.00 per share, however this conversion feature expired on August 11, 2011.
Under the Senior Credit Facility, no principal may be paid on any of the QKD Note, the Nussdorf Trust Notes or the 2004 Note until three months after the Senior Credit Facility terminates and is paid in full, and payment of interest is subject to satisfaction of certain conditions, including the Company's maintaining excess availability under the Senior Credit Facility of $17.5 million (or 17.5% of commitment) and a fixed charge coverage ratio, as defined in the credit

agreement, of 1.1:1.0.

The Company has received commitments allowing it to borrow a total of $30 million from the Nussdorf family trusts to provide financing for part of the cash portion of the Parlux merger consideration. The new loans will be on the same terms as, and will be subordinated to the Senior Credit Facility on the same basis as, the Nussdorf Trust Notes.

Interest expense on the Nussdorf Trust Notes, the Quality King Note and the 2004 Note was approximately $4.9 million and $5.7 million for fiscal 2011 and 2010, respectively, and is included in interest expense on the accompanying consolidated

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statements of operations for fiscal 2011 and 2010. As of January 28, 2012, the interest rates on the Nussdorf Trust Notes, the Quality King Note and the 2004 Note were 4.04%, 5.04% and 6.25%, respectively. No payments of principal have been made on any of these Notes. Accrued interest payable at January 28, 2012 and January 29, 2011, respectively, on the Nussdorf Trust Notes, the Quality King Note and the 2004 Note was approximately $21.4 million and $16.5 million and is included in other long-term liabilities on the accompanying consolidated balance sheets as of January 28, 2012 and January 29, 2011, respectively. No payments of interest have been made on the Nussdorf Trust Notes and the Quality King Note, and no interest payments have been made on the 2004 Note since 2008.
Maturities of the Company's revolving credit facility and notes payable to affiliates as of January 28, 2012 are as follows:

Fiscal Year	Maturities (in thousands)
2012	$—
2013	—
2014	30,057
2015	95,366
2016	—
Total	$125,423

NOTE 8 - INCOME TAXES

The income tax provision (benefit) is comprised of the following amounts (in thousands):

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Current:		
Federal	$278	$(2,447)
State and local	440	96
Foreign	—	—
	718	(2,351)
Deferred:		
Federal	4,449	1,041
State and local	—	—
Foreign	190	(23)
	4,639	1,018
Income tax provision (benefit)	$5,357	$(1,333)
Less valuation allowance adjustment	(4,639)	(1,018)
Income tax provision (benefit)	$718	$(2,351)

The income tax provision (benefit) differs from the amount obtained by applying the statutory Federal income tax rate to pretax income as follows (in thousands):

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Provision (benefit) at Federal statutory rates	$1,697	$(2,126)
Permanent adjustments	840	24
State tax, net of Federal	286	510
Net tax benefit adjustment	(2,636)	(759)
Tax authority adjustment	489	—
Other	42	—

Income tax provision (benefit)	$718	$(2,351)

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Net deferred tax liabilities, which are included in other long-term liabilities on the accompanying consolidated balance sheets as of January 28, 2012 and January 29, 2011, reflect the tax effect of the following differences between financial statement carrying amounts and tax bases of assets and liabilities as follows (in thousands):

	January 28, 2012	January 29, 2011
Assets:		
Net operating loss and tax credit carry forwards	$729	$5,949
Puerto Rico net operating loss carry forwards	1,541	1,731
Inventories	1,842	2,415
Property and equipment	9,585	9,687
Accounts receivable allowances	310	253
Goodwill and intangibles	810	1,060
Accrued interest	3,015	1,543
Deferred rent	2,754	2,365
Other	231	453
Total deferred tax assets	20,817	25,456
Valuation allowance	(20,817)	(25,456)
Net deferred tax assets	—	—
Liabilities:		
Tradename	(3,400)	(3,400)
Net deferred tax liabilities	$(3,400)	$(3,400)

Management evaluates the Company’s deferred income tax assets and liabilities to determine whether or not a valuation allowance is necessary. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of future tax benefits related to the deferred tax assets is dependent on many factors, including the Company’s ability to generate future taxable income during those periods in which temporary differences become deductible and/or credits can be utilized. Based on the difficult retail and wholesale environment resulting from the decline in general economic conditions and consumer confidence in fiscal 2008, and the uncertainty as to when conditions will improve sufficiently enough to enable the Company to utilize its deferred tax assets, the Company established a full valuation allowance against its deferred tax assets, recording a non-cash charge of approximately $19.5 million in fiscal 2008. The lack of practical tax-planning strategies available in the short term and the lack of other objectively verifiable positive evidence supported the conclusion that a full valuation allowance against the Company’s Federal and state net deferred tax assets was necessary. In fiscal 2011 and 2010, the valuation allowance decreased by approximately $4.6 million and $1.0 million, respectively.

As of January 28, 2012 and January 29, 2011, the Company had a deferred tax liability of approximately $3.4 million related to a tradename. Due to the uncertainty of when this deferred tax liability will be recognized, the Company was not able to offset its total deferred tax assets with this deferred tax liability. The deferred tax liability is included in other long-term liabilities on the accompanying consolidated balance sheets as of January 28, 2012 and January 29, 2011.

Based on available evidence, management concluded that a full valuation allowance should be maintained against the Company’s deferred tax assets as of January 28, 2012 and January 29, 2011. If, in the future, the Company realizes taxable income on a sustained basis of the appropriate character and within the net operating loss carry-forward period, the Company would be allowed to reverse some or all of this valuation allowance, resulting in an income tax benefit. Further, changes in existing tax laws could also affect valuation allowance needs in the future.

In the most recently filed consolidated Federal tax return, the Company was able to carryback a portion of its net operating loss to Model Reorg’s previously filed 2007 Federal tax return. The carry-back resulted in a claim for refund of Federal income taxes of approximately $2.5 million. The amount of the claim was determined based on information which became available and which was recorded as an income tax benefit during both the thirteen and thirty-nine weeks ended October 30, 2010. During the year ended January 28, 2012, the amount of the claim was reduced to approximately $2.4 million as a result of an IRS examination. The claim for refund is included in prepaid expenses and other current assets on the condensed consolidated balance sheets as of January 28, 2012 and January 29, 2011.

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As of January 28, 2012, the Company's United States and Puerto Rico net operating loss carryforwards which approximate $1.0 million and $4.0 million, respectively, begin to expire in fiscal years 2024 and 2012, respectively. In addition, the Company has approximately $1.7 million of state net operating loss carryforwards which have a full valuation allowance.

The Company files its Federal and state tax returns on a June 30 tax year.

Accounting standards prescribe a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The accounting standards also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of both January 28, 2012 and January 29, 2011, there was a liability of $0.7 million recorded for income tax associated with unrecognized tax benefits.

The Company accrues interest related to unrecognized tax benefits as well as any related penalties in income tax expense, which is consistent with the recognition of these items in prior reporting periods. Accrued interest and penalties were $0.4 million as of both January 28, 2012 and January 29, 2011.

The balance of unrecognized tax benefits, the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months, were (in thousands):

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Unrecognized tax benefits	$681	$666
Portion if recognized would reduce tax expense and effective rate	681	666
Accrued interest on unrecognized tax benefits	277	254
Accrued penalties on unrecognized tax benefits	142	142

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in thousands):

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Balance at beginning of year	$666	$632
Additions for tax positions of the current year	—	—
Additions for tax positions of prior years	15	34
Balance at end of year	$681	$666

The Company does not expect material adjustments to the total amount of unrecognized tax benefits within the next 12 months, but the outcome of tax matters is uncertain and unforeseen results can occur.

The Company conducts business throughout the United States and Puerto Rico, and as a result, files income tax returns in the United States Federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. With few exceptions, the Company is no longer subject to U.S. Federal, state, local or Puerto Rico income tax examinations for fiscal years prior to 2005. State and foreign income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any Federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. The Company is not currently under examination in any state or foreign jurisdictions.

NOTE 9 - FAIR VALUE MEASUREMENTS

The Company adopted the accounting guidance regarding fair value and disclosures, as it applies to financial and non-financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The new guidance does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The valuation hierarchy is based upon the transparency of

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inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:
Level 1: Observable inputs such as quoted prices in active markets (the fair value hierarchy gives the highest priority to Level 1 inputs);
Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3: Unobservable inputs in which there is little or no market data and require the reporting entity to develop its own assumptions
As of January 28, 2012, the Company had no material financial assets or liabilities measured on a recurring basis at fair value. The Company measures certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. We estimated the fair value of our long-lived assets using company-specific assumptions which would fall within Level 3 of the fair value hierarchy.
The following tables present the non-financial assets the Company measured at fair value on a non-recurring basis, based on the fair value hierarchy as of January 28, 2012 and January 29, 2011:

		Fair Value Measured and Recorded at Reported Date Using			
	Net Carrying Value as of January 28, 2012	Level 1	Level 2	Level 3	Total Losses - Year Ended January 28, 2012
Property and Equipment (in thousands)	$ 2,470	$—	$—	$2,470	$ 1,141

		Fair Value Measured and Recorded at Reported Date Using			
	Net Carrying Value as of January 29, 2011	Level 1	Level 2	Level 3	Total Losses - Year Ended January 29, 2011
Property and Equipment (in thousands)	$ 3,035	$—	$—	$3,035	$ 3,001

In fiscal 2011 and 2010, the Company recorded non-cash impairment charges of approximately $1.1 million and $3.0 million, respectively, to reduce the net carrying value of certain retail store assets and a capital lease on a building to their estimated market value, which was based on discounted estimated future cash flows.
There were no non-financial liabilities outstanding as of January 28, 2012 and January 29, 2011.

NOTE 10 - SHAREHOLDERS' EQUITY

PREFERRED STOCK

The Company's Articles of Incorporation authorize the issuance of up to 1,000,000 shares of preferred stock. The preferred stock may be issued from time to time at the discretion of the Board of Directors without shareholders' approval. The Board of Directors is authorized to issue these shares in different series and, with respect to each series, to determine the dividend rate, and provisions regarding redemption, conversion, liquidation preference and other rights and privileges. As of January 28, 2012, no preferred stock had been issued.

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TREASURY STOCK

From time to time, the Company's Board of Directors has approved the repurchase of the Company's common stock. As of January 28, 2012, the Company had repurchased 898,249 shares of common stock for approximately $8.6 million, all of which are held as treasury shares. There were no repurchases during fiscal 2011 or fiscal 2010.

WARRANTS

In connection with the Company's merger with a predecessor company on August 11, 2008, the Company issued warrants (the "Warrants") to purchase an additional 1,500,000 shares of our common stock with an exercise price per share of $23.94. The Warrants became exercisable effective August 11, 2011 and will be exercisable until August 11, 2018. The fair value of these Warrants at the date of issuance was $26.5 million, which was recorded as a reduction of retained earnings (accumulated deficit) and an increase to additional paid-in capital within the consolidated statement of shareholders' equity in fiscal 2008.

STOCK OPTION PLANS

The 2010 Equity Incentive Plan (the "2010 Plan") provides for equity-based awards to the Company's employees, directors and consultants. Under the 2010 Plan, the Company initially reserved 1,000,000 shares of common stock for issuance. This number automatically increases on the first trading day of each fiscal year, beginning with fiscal 2011, by an amount equal to 1 1/2% of the shares of common stock outstanding as of the last trading day of the immediately preceding fiscal year; accordingly, 1,134,500 shares of common stock were reserved for issuance as of January 28, 2012. The Company previously had two stock option plans which expired on October 31, 2010. No equity awards have been granted after this date under these plans, although all options previously granted and outstanding will remain outstanding until they are either exercised or forfeited or they expire. As of January 28, 2012, 30,000 stock options have been granted to the Independent Board Members pursuant to the 2010 Plan. A summary of the Company's option activity, and related information for the fiscal year ended January 28, 2012 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 29, 2011	205,626	$9.84		
Granted	15,000	9.82		
Exercised	(3,267)	4.79		
Forfeited	(622)	3.52		
Outstanding as of January 28, 2012	216,737	$9.93	5.5	$393
Vested as of January 28, 2012	216,737	$9.93	5.5	$393
Exercisable as of January 28, 2012	104,234	$6.05	7.5	$393

The fair value for stock options issued during fiscal 2011 was estimated at the date of grant, using the Black-Scholes option pricing model with the following weighted average assumptions:

	Fiscal Year Ended January 28, 2012
Expected life (years)	5
Expected stock price volatility	121.0%
Risk-free interest rates	0.8%
Expected dividend yield	0%

The expected life of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. The expected stock price volatility is estimated using the historical volatility of the Company's stock. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero coupon

issues with a term equal to the option's expected life. The Company has not paid dividends in the past and does not intend to in the foreseeable future.
The weighted average estimated fair values of options granted during fiscal years 2011 and 2010 were $8.12 and $7.47

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per share, respectively. The fair value of options that vested during fiscal years 2011 and, 2010 was approximately $142,000 and $139,000, respectively. As of January 28, 2012, there was no unrecognized compensation expense related to stock options that will vest and be recognized in fiscal 2012. The aggregate intrinsic value of options exercised during fiscal 2011 and 2010 was $32,000 and $2,000, respectively. Cash received from option exercises during fiscal 2011 was $16,000.
See consolidated statements of shareholders' equity in these financial statements for activity in shareholders' equity accounts.

NOTE 11 - EMPLOYEE BENEFIT PLANS
The Company has a 401(k) Savings and Investment Plan (the "Plan") for its various subsidiaries. Pursuant to the Plan, the participants may make contributions to the Plan in varying amounts from 1% to 100% of total compensation, or the maximum limits allowable under the Internal Revenue Code, whichever is less. The Company, at its discretion, may match such contributions in varying amounts, as specified by the Plan, and the Company's matching contributions vest over a one to four year period. The Company did not match contributions to the Plan during fiscal 2011 and 2010.

NOTE 12 - COMMITMENTS AND CONTINGENCIES
MEDICAL INSURANCE
The Company self-insures employees for employee medical benefits under the Company's group health plan. The Company maintains stop loss coverage for individual medical claims in excess of $100,000 and for annual Company medical claims which exceed approximately $4.3 million in the aggregate. While the ultimate amount of claims incurred are dependent on future developments, in management's opinion, recorded accruals are adequate to cover the future payment of claims incurred as of January 28, 2012. However, it is possible that recorded accruals may not be adequate to cover the future payment of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are determined. The self-insurance accrual at January 28, 2012 and January 29, 2011 was approximately $0.2 million and $0.5 million, respectively, which is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.
LEASES AND RETAIL STORE RENT
Total rent expense for warehouse space and equipment charged to operations for fiscal 2011 and fiscal 2010 was $3.1 million and $3.3 million, respectively. This includes payments of warehouse rent to Quality King.
In January 2008, the Company began subleasing office and warehouse facility from Quality King in Bellport, New York at a rate which is currently $2.6 million per year with an annual escalation of 3%. This sublease expires December 2027.
The Company leases space for its retail stores. The lease terms vary from month to month leases to ten year leases, in some cases with options to renew for longer periods. Various leases contain clauses which adjust the base rental rate by the prevailing Consumer Price Index, as well as requiring additional contingent rent based on a percentage of gross sales in excess of a specified amount.
Retail store rent expense in fiscal 2011 and 2010 were as follows (in thousands):

	Fiscal Year Ended January 28, 2012	Fiscal Year Ended January 29, 2011
Minimum rentals	$29,024	$28,995
Contingent rentals	1,311	894
Total	$30,335	$29,889

Aggregate future minimum rental payments under the above operating leases at January 28, 2012 are payable as follows (in thousands):

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Fiscal Year	
2012	$26,159
2013	22,592
2014	19,856
2015	17,299
2016	14,753
Thereafter	21,184
	$121,843

The Company’s capitalized leases are for an office and distribution facility in Sunrise, Florida, warehouse equipment and computer hardware and software. The lease for the Florida facility expires December 2017 with monthly rent of approximately $104,000 during the remaining term of the lease. The Company currently has excess facility space consisting of the office and distribution space in Sunrise, Florida. The capital lease liability for this lease has been recorded as the net present value of the contractual lease payments less the amount for which we expect to be able to sublease the facility. The estimated sublease revenue was determined based upon a review of real estate market conditions, projections for sublease revenue and assumptions regarding the timing of sublease commencement, and with the assistance of a commercial real estate broker. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments, at January 28, 2012 (in thousands):

Fiscal Year		
2012	$1,413	
2013	1,413	
2014	1,385	
2015	1,327	
2016	1,327	
Thereafter	1,216	
Total future minimum lease payments	8,081	
Less: Amount representing projected sublease revenue	(4,363	)
Less: Amount representing interest	(1,040	)
Present value of minimum lease payments	2,678	
Less: Current portion	(1,062	)
	$1,616	

ROYALTIES

The Company is party to ten license agreements with unaffiliated licensors. Royalty expense was $2.2 million and $2.0 million for fiscal 2011 and fiscal 2010, respectively and is included in selling, general and administrative expenses on the accompanying consolidated statements of operations. The aggregate future minimum payments under these licensing agreements at January 28, 2012 are payable as follows (in thousands):

Fiscal Year	
2012	$2,285
2013	1,885
2014	975
2015	475
2016	300
Thereafter	200
	$6,120

LITIGATION

Following the announcement of the Company's merger agreement with Parlux, on January 5, 2012, a putative class action

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complaint, captioned as Shirley Anderson v. Parlux Fragrances, Inc., et al., was filed in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida on behalf of a purported stockholder of Parlux. Thereafter, the case was transferred to the Complex Business Division No. 7 and assigned case number 12-000344-CA-07. The named defendants include Parlux, the individual members of the Parlux board of directors, and the Company. The complaint alleges, among other things, that the members of the Parlux board breached their fiduciary duties in negotiating and approving the merger agreement, that the merger consideration negotiated in the merger agreement is inadequate, that certain of the defendants have improper conflicts of interest by reason of the existing relationships between Parlux and the Company, and that the terms of the merger agreement fail to provide the Parlux stockholders with certain procedural protections and impose improper deal protection devices that will preclude competing offers. The complaint further alleges that Parlux and the Company aided and abetted the members of the Parlux board in their alleged breaches of fiduciary duties. The plaintiff seeks a determination that the lawsuit is a proper class action and that the plaintiff is a proper class representative, orders enjoining the defendants and their agents from consummating the proposed transaction unless and until Parlux adopts and implements a procedure to obtain a merger agreement providing the best possible terms for the Parlux stockholders, including conditioning the approval of the merger agreement on the approving vote of holders of a majority of the Parlux shares other than those held by Parlux directors and officers and stockholders related to the Company, rescinding any terms of the proposed transaction already implemented, and awarding damages, costs and attorneys' fees.

On January 19, 2012, an individual named Arthur Weill filed a Motion to Intervene and For Appointment as Lead Plaintiff and Approval as Co-Lead Counsel in the Anderson action, which motion the Court denied on February 6, 2012. On February 7, 2012, the plaintiff filed an Amended Complaint in the Anderson action. In the Amended Complaint the claims and defendants remained the same, but after having reviewed the registration statement jointly filed by the Company and Parlux on January 23, 2012, plaintiff added allegations concerning the independent committee of the Parlux board of directors that she alleges raise questions as to that committee's impartiality. The Amended Complaint also adds details regarding additional information concerning the various analyses and the underlying methodologies performed or used by the financial advisors identified in the registration statement, who rendered fairness opinions to the Parlux board of directors and its independent committee, that plaintiff alleges should have been disclosed to Parlux shareholders in order for them to make a fully informed decision whether to vote in support of the proposed transaction. The Amended Complaint also adds allegations concerning the existence of certain voting agreements by the members of the Parlux board of directors and other Parlux shareholders and allegations concerning a decline in the Company's share price since the announcement of the proposed transaction.

On January 31, 2012 a second putative class complaint, captioned as Jose Dias v. Fredrick E. Purches, et al., (Case Number 7199 VCG) was filed in the Court of Chancery for the State of Delaware on behalf of a purported stockholder of Parlux. The Dias action alleges the same claims and operative facts as the Anderson action, and requests similar relief. The Dias plaintiff, joined by the plaintiff in the Anderson action, filed a motion for a preliminary injunction seeking to enjoin the merger based on alleged breaches of fiduciary duty by the Parlux board in negotiating and approving the merger agreement, the alleged inadequacy of the merger consideration, and Parlux's alleged failure to make material disclosures relating to the merger. A hearing on the motion was held on March 23, 2012. On April 5, 2012, the Court of Chancery granted the motion in part and denied it in part. The Court ordered Parlux and the Company to file with the SEC certain additional information about the process followed by the financial advisors to Parlux's board of directors, which both companies did on April 6, 2012. The Court did not enjoin the stockholder meeting scheduled for April 17, 2012, on the condition the additional information be filed, did not enjoin the consummation of the merger, and did not grant any relief other than that noted above. Discovery in the Dias litigation continues.

On February 9, 2012, a third putative class action complaint, captioned as Arthur Weill v. Esther Egozi Choukroun, et al., (Case Number 2012-CV-3508-07) was filed in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida on behalf of a purported stockholder of Parlux. The Weill action alleges the same claims and operative facts as the Anderson action and the Dias action and requests similar relief. Concurrent with the filing of the Weill action, the plaintiff filed a Motion to Consolidate Related Cases and for Appointment as Co-Lead Plaintiff and Approval of Co-Lead Counsel with respect to the Anderson and Weill actions. On February 24, 2012, the Court consolidated the Anderson and Weill actions. On February 29, 2012 the Court also granted the defendants' motion to stay the consolidated actions in light of the Dias action in Delaware.

On March 5, 2012 the plaintiff in the Anderson action in Florida, which has been stayed by order of the Florida Court, filed a new action in the Court of Chancery for the State of Delaware a captioned as Shirley Anderson v. Parlux Fragrances, Inc., et al. (Case Number 7305-VCP), alleging the same facts and claims as were in her Florida action. Plaintiff has not served this action on the Company. As noted above, however, the plaintiff in this action joined in the motion for a preliminary injunction filed in the Dias action described above.

The Company is involved in various legal proceedings in the ordinary course of business. Management cannot presently predict the outcome of these or any of the above three matters, although management believes, based in part on the advice of counsel, that the ultimate resolution of these matters will not have a materially adverse effect on the Company’s consolidated

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financial position, results of operations or cash flows.

NOTE 13 - SEGMENT INFORMATION

The Company operates in two industry segments, wholesale distribution and specialty retail sales of designer fragrance and related products. Management reviews segment information by segment and on a consolidated basis each month. Retail sales include sales through Perfumania retail stores, the Scents of Worth consignment business and the Company's internet site, Perfumania.com. Transactions between Five Star and unrelated customers are included in our wholesale segment information. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2. The Company's chief operating decision maker, who is its Chief Executive Officer, assesses segment performance by reference to gross profit. Each of the segments has its own assets, liabilities, revenues and cost of goods sold. While each segment has certain unallocated operating expenses, these expenses are not reviewed by the chief operating decision maker on a segment basis but rather on a consolidated basis. Financial information for these segments is summarized in the following table:

	Fiscal Year Ended January 28 2012 ($ in thousands)	Fiscal Year Ended January 29, 2011
Net sales:		
Retail	$354,488	$327,291
Wholesale	139,019	157,509
	$493,507	$484,800
Gross profit:		
Retail	$156,688	$143,034
Wholesale	34,454	37,815
	$191,142	$180,849
	January 28, 2012	January 29, 2011
Total assets:		
Wholesale	$312,855	$324,726
Retail	238,844	246,961
	551,699	571,687
Eliminations (a)	(264,944)	(271,215)
Consolidated assets	$286,755	$300,472

(a) Adjustment to eliminate intercompany receivables and investment in subsidiaries

See Note 1 for disclosure of sales to significant customers.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in SEC Rule 13a-15(e), which our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated as of the end of the fiscal year covered by this report. Those controls and procedures are designed to ensure, among other things, that information we are required to disclose in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, we concluded that our disclosure controls and procedures were effective at January 28, 2012.

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Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in SEC Rule 13a-15(f), for the Company. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of January 28, 2012, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment and those criteria, our management concluded that, as of January 28, 2012, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2011 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our officers and directors are:

Michael W. Katz — Age 64. Mr. Katz joined us in February 2004 as our President and Chief Executive Officer and as a director. Mr. Katz has served in various capacities at Model Reorg and Quality King and their affiliated companies; he is 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 Model Reorg and Quality King and their 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 was also Executive Vice President and a Director of Model Reorg. Mr. Katz is a Certified Public Accountant.

Donna Dellomo — Age 47. Ms. Dellomo has been our Chief Financial Officer since the merger with Model Reorg. Before that, she had served as Chief Financial Officer of Model Reorg since February 1998. Before joining Model Reorg, Ms. Dellomo was Corporate Controller for Cybex International, Inc., a public company. Ms. Dellomo is a Certified Public Accountant.

Stephen Nussdorf — Age 61. Mr. Nussdorf was appointed Chairman of our board of directors in February 2004 and Executive Chairman of the board of directors in April 2011. Mr. Nussdorf is also an executive officer of Quality King Distributors, Inc., a privately held distributor of pharmaceuticals and health and beauty care products, and he was, until our merger with Model Reorg, Inc. in August 2008, President and a Director of Model Reorg, a privately held distributor of fragrance products. Mr. Nussdorf joined Quality King in 1972 and Model Reorg in 1996 and has served in various capacities in all divisions of their businesses.

Carole Ann Taylor — Age 67. Ms. Taylor was appointed a director in June 1993. Ms. Taylor has been in the travel retail and duty free business for more than twenty-five years and, since 1987, has been the President and Chief Executive Officer of her family owned businesses, Miami To Go, Inc., Little Havana To Go LLC and Cultures To Go, Inc., with five retail locations in Miami and at Miami International Airport. She is a member of the Executive Committee of the Greater Miami Convention and Visitors Bureau and serves on the board of directors of the Arsht Performing Arts Center, Viernes Culturales, the Black Hospitality Initiative, Miami Beach Fashion Week and the Omni Advisory Board. Ms. Taylor serves on the board's Audit, Compensation and Stock Option Committees.

Joseph Bouhadana — Age 42. Mr. Bouhadana was appointed a director in September 2002. Mr. Bouhadana has served as Corporate Director of Technology for INTCOMEX, a 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.

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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. Within the past five years, Mr. Bouhadana has also been a director of Adrenalina, Inc. Mr. Bouhadana serves on the Audit, Compensation and Stock Option Committees.

Paul Garfinkle — Age 70. Mr. Garfinkle joined our board of directors 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 serves as Chair of the board's Audit Committee.

The term of each of our directors expires at the 2012 Annual Meeting of Shareholders.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all our Directors, officers and employees and is available on our website at www.perfumaniaholdingsinc.com. This includes a "code of ethics," as defined by Securities and Exchange Commission rules, that applies to our Directors and senior financial officers, including our Chief Executive Officer and Chief Financial Officer. If we make any substantive amendment to the code of ethics or grant any waiver from any of its provisions, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Audit Committee

For the fiscal year ended January 28, 2012, and since then, Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle (Chairman), all of whom are independent, as defined by Nasdaq Stock Market rules, were the members of our Audit Committee. The board of directors has determined that Mr. Garfinkle is an "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, as amended, requires our directors and executive officers and beneficial holders of more than 10% of any class of our equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of such equity securities. Based upon a review of such forms furnished to us or representations from reporting persons stating that they were not required to file these forms, we believe that during fiscal 2011, all Section 16(a) filing requirements were satisfied on a timely basis.

ITEM 11. EXECUTIVE COMPENSATION

The following sets forth information concerning compensation for fiscal 2011 and fiscal 2010 for our Executive Chairman, Chief Executive Officer and Chief Financial Officer (the "Named Executive Officers").

2011 Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards	All Other Compensation ($) (2)	Total ($)
Stephen Nussdorf (1)	2011	276,962	—	—	—	276,962
(Executive Chairman)						
Michael W. Katz	2011	312,668	—	—	15,000	327,668
(President and Chief Executive Officer)	2010	284,808	—	—	15,000	299,808
Donna L. Dellomo	2011	215,201	—	—	—	215,201

(Chief Financial Officer)	2010	215,201	—	—	—	215,201

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(1) The salary shown in the table includes Mr. Nussdorf's compensation for the period during which he served as a consultant to Perfumania, before he became an executive officer in April 2011.
(2) All other compensation for Mr. Katz consists of a car allowance. There were no personal benefits that exceeded $10,000 for

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Mr. Nussdorf or Ms. Dellomo.

Outstanding Equity Awards at Fiscal Year-End 2011
The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal 2011.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Stephen Nussdorf	—	—	—	—
Michael W. Katz	100,000	—	12.99	06/29/2015
Donna L. Dellomo	35,000	—	4.79	10/29/2018

Retirement Benefits and Potential Payments Upon Termination or Change of Control
No Named Executive Officer participates in any Perfumania pension plan or nonqualified defined contribution or nonqualified deferred compensation plan, and none has entered into any agreements or understandings with us that provide for payments or benefits to the Named Executive Officer in the event of the Named Executive Officer's termination of employment, including a change of control. All option awards held by the Named Executive Officers are fully vested, so there would be no acceleration of vesting upon a change of control.
Generally, upon a termination of employment for any reason, each Named Executive Officer would be entitled to receive a cash payment of the Named Executive Officer's base salary through the date of termination, to the extent not paid, any accrued but unused vacation pay and any unreimbursed business expenses. The Compensation Committee may, in its sole discretion, depending upon the circumstances of the termination of employment, pay the terminated Named Executive Officer severance in such amount as then determined by Perfumania.

Compensation of Directors
We pay each nonemployee director a $25,000 annual retainer. In addition, the nonemployee directors earn $10,000 per year for service as Chair of the Audit Committee, $5,000 per year for other members of the Audit Committee, $3,000 per year for service as Chair of each other committee of the board of directors, and $2,500 per year for other members of each other committee. We also reimburse their expenses in connection with their activities as directors.
Nonemployee directors are eligible to receive stock options under our 2010 Equity Incentive Plan (the "2010 Plan"). They each receive a grant of options for 10,000 shares upon initial election to the board, to vest annually over three years dependent on continued board service, and a grant of options for 5,000 shares upon annual reelection to the board, vested immediately. All such options have an exercise price equal to the fair market value of a share of our common stock on the date of the grant.
Neither Mr. Nussdorf nor Mr. Katz receives any compensation for his service as a director. Mr. Nussdorf served as a consultant on operational matters from June 2009 to April 2011. His compensation for such services during February and March 2011 is included in his 2011 compensation shown in the Summary Compensation Table above.
The following table sets forth certain information regarding the compensation of our nonemployee directors for their service as such for fiscal 2011:

Name	Fees Earned or Paid in Cash ($)	Options Awards ($)(1)(2)	All Other Compensation ($)(3)	Total ($)
Carole Ann Taylor	32,500	40,618	10,000	83,118
Joseph Bouhadana	33,000	40,618	10,000	83,618
Paul Garfinkle	35,000	40,618	10,000	85,618

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(1) Amounts listed represent the grant date fair value of the stock option awards. For additional information regarding the
assumptions used to calculate these amounts, see Note 9 to the consolidated financial statements included in Item 8 of this Form 10-K.

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(2) As of January 28, 2012, Perfumania's nonemployee directors held outstanding stock options in the following amounts: Carole Ann Taylor (15,000); Joseph Bouhadana (17,000); and Paul Garfinkle (16,500).
(3) Represents fees earned for service on the special board committee with respect to the Parlux Merger.

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

The following table sets forth information as of January 28, 2012, with respect to our compensation plans under which our equity securities are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Plan Category:			
Equity compensation plans approved by stockholders	216,737	$ 9.93	1,134,500
Equity compensation plans not approved by stockholders	—	—	—
Total	216,737	$ 9.93	1,134,500

The 2010 Plan provides for equity-based awards to the Company's employees, directors and consultants. Under the 2010 Plan, the Company initially reserved 1,000,000 shares of common stock for issuance. This number automatically increases on the first trading day of each fiscal year, beginning with fiscal 2011, by an amount equal to 1 $^{1}/2$% of the shares of common stock outstanding as of the last trading day of the immediately preceding fiscal year. The Company previously had two stock option plans which expired on October 31, 2010. No equity awards have been granted after this date under these plans, although the 186,737 options previously granted and outstanding will remain outstanding until they are either exercised or forfeited or they expire.

The following table shows the amount of common stock beneficially owned as of January 28, 2012 by: (a) each of our directors, (b) each of our current executive officers, (c) all of our directors and current executive officers as a group and (d) each person known by Perfumania to beneficially own more than 5% of Perfumania's outstanding common stock. Unless otherwise provided, the address of each holder is c/o Perfumania Holdings, Inc., 35 Sawgrass Drive, Suite 2, Bellport, New York 11713.

Name of Beneficial Owner	Total Number of Shares Beneficially Owner (1)	Percent of Class	
Principal Stockholders			
Stephen Nussdorf and Glenn Nussdorf	5,791,546 (2)	58.8	%
Arlene Nussdorf	2,189,201(3)	23.3	%
Rene Garcia 1608 NW 84th Avenue Miami, FL 33126	767,397(4)	8.4	%
Jacques Bogart/SBN/David Konckier 76-78 Avenue des Champs Elysées, 75008 Paris, France	452,634(5)	5.0	%
Other Directors and Executive Officers			
Michael W. Katz	100,000	*	
Donna L. Dellomo	35,000	*	
Joseph Bouhadana	17,000	*	
Paul Garfinkle	16,500	*	

Carole Ann Taylor	15,000	*	
All directors and executive officers as a group (6 persons)	5,975,046	59.5	%

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* 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) Stephen Nussdorf beneficially owns his shares with his brother Glenn Nussdorf. Includes 443,757 shares issuable upon exercise of Warrants held by each of Stephen and Glenn Nussdorf.
(3) Amount includes 443,757 shares issuable upon exercise of Warrants held by Ms. Nussdorf.
(4) Mr. Garcia has sole voting and dispositive power over 367,842 of the shares shown (including warrants to purchase 72,738
shares) and shared voting and dispositive power over 399,555 of such shares (including warrants to purchase 80,991 shares), which are held by trusts of which he is a co-trustee.
(5) As reported in a Schedule 13G filed with the SEC on October 16, 2009, all of such shares are owned by Jacques Bogart. SBN is the sole stockholder of Jacques Bogart and Mr. Konckier is the sole manager of SBN. Jacques Bogart, SBN and Mr. Konckier share voting and dispositive power over the shares.
(6) Includes shares of common stock issuable upon the exercise of stock options currently exercisable or exercisable within 60 days of January 28, 2012 in the following respective amounts: Michael W. Katz (100,000); Joseph Bouhadana (17,000); Paul Garfinkle (16,500); Carole Ann Taylor (15,000) and Donna Dellomo (35,000).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Principal Stockholders and Executive Officers

The Nussdorfs collectively are the beneficial owners of approximately 82% of our common stock. Stephen Nussdorf has served as Chairman of our board of directors since February 2004 and was appointed Executive Chairman in April 2011. The Nussdorfs are officers and principals of Quality King, which distributes pharmaceuticals and health and beauty care products, and our President and Chief Executive Officer, Michael W. Katz is an executive of Quality King.

In 2004 and 2008, the Nussdorfs and related parties made loans to one of our subsidiaries on an unsecured basis for which it issued certain promissory notes. As a condition of entering into a new $225 million senior bank credit facility, effective January 7, 2011, the subsidiary executed Amended and Restated Subordinated Promissory Notes amending these obligations, principally with respect to the timing of payments. The unsecured debt obligations that are currently subordinated to the senior credit facility are as follows:

(i) a promissory note in the principal amount of $35 million, held by Quality King (the "QKD Note"), which provides for
payment of principal in quarterly installments between April 30, 2015 and July 31, 2018 and payment of interest in quarterly
installments commencing on January 31, 2011 at the then current senior debt rate, as defined in the senior credit facility, plus
1% per annum;

(ii) promissory notes in the aggregate principal amount of approximately $55.4 million, held by six family trusts established by Glenn, Stephen and Arlene Nussdorf (the "Nussdorf Trust Notes"), which provide for payment of the principal in full on April 30, 2015 and payments of interest in quarterly installments commencing on January 31, 2011 at the then current senior debt rate plus 2% per annum; and

(iii) a promissory note in the principal amount of $5 million held by Glenn and Stephen Nussdorf (the "2004 Note"), which provides for payment in January 2009 and is currently in default because of the restrictions on payment described below, resulting in an increase of 2% in the nominal interest rate, which is the prime rate plus 1%.

Under Perfumania's senior bank credit facility, no principal may be paid on any of the QKD Note, the Nussdorf Trust Notes or the 2004 Note until three months after the senior credit facility terminates and is paid in full, and payment of interest is subject to satisfaction of certain conditions, including Perfumania's maintaining excess availability under the senior credit facility of $17.5 million (or 17.5% of commitment) and a fixed charge coverage ratio, as defined in the credit agreement, of equal to or greater than 1.1:1.0.

No payments of principal or interest have been made on the Nussdorf Trust Notes or the Quality King Note and no payments of principal have been made on the 2004 Note. Accordingly, the full principal amount of each, as described above, remains outstanding. The aggregate amount of accrued interest on the Nussdorf Trust Notes and the Quality King Note as of January 28, 2012 is $20.4 million. Perfumania paid approximately $0.2 million of interest on the 2004 Note in fiscal 2008 and

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has not made any interest payments since then. The amount of accrued interest on the 2004 Note as of January 28, 2012 is $1.0 million.

In connection with the pending Parlux merger, the Company entered into an amendment to the Senior Credit Facility to enable it to, among other things, borrow up to $32 million (which amount would be reduced to the extent that cash and cash equivalents held by Parlux at the closing of the merger are less than $15 million) to fund a portion of the merger consideration and up to $11 million to fund costs of the merger and related transactions.

The Company has received commitments allowing it to borrow a total of $30 million from the Nussdorf family trusts to provide financing for the cash portion of the Parlux merger consideration. The new loans will be on the same terms as, and will be subordinated to the Senior Credit Facility on the same basis as, the Nussdorf Trust Notes.

On the date that the merger is consummated, Model will execute and deliver to such trusts Second Amended Restated Subordinated Promissory Notes in the amount equal to the outstanding principal balance of each such note on such date plus the amount of the new commitment of such trust.

Effective August 1, 2008, a Perfumania subsidiary issued a $1.9 million promissory note payable to Mr. Katz, with interest at 4%, in equal monthly installments of $53,333 commencing September 1, 2008 and terminating August 1, 2011. Under a related stockholder agreement, Mr. Katz is bound by certain non-compete, non-solicitation and confidentiality covenants. Between the beginning of fiscal 2009 and the maturity of this note, the highest principal balance due was $1.0 million, and Perfumania paid a total of $1.7 million.

Transactions with Affiliated Companies

Glenn Nussdorf beneficially owns approximately 9.9% of the outstanding common stock of Parlux. Perfumania has purchased merchandise from Parlux for about 20 years and is one of Parlux’s largest customers. Perfumania primarily purchases certain brands, for which Parlux is the exclusive licensee, for distribution through Perfumania’s retail stores. Pricing and terms between Perfumania and Parlux reflect the volume of Perfumania’s purchases, a policy of no returns from Perfumania, minimal spending by Parlux for advertising and promotion, the exposure of Parlux’s products provided by being in Perfumania’s store windows, and minimal distribution costs for Parlux to fulfill orders shipped directly to Perfumania’s distribution center.

Glenn Nussdorf also has an ownership interest in Lighthouse Beauty Marketing, LLC, Lighthouse Beauty, LLC and Lighthouse Beauty KLO, LLC (collectively "Lighthouse Companies") all of which are manufacturers and distributors of prestige fragrances. Starting in fiscal 2010, Perfumania began purchasing merchandise from the Lighthouse Companies. Glenn Nussdorf also has an ownership interest in Ricky's, a retailer specializing in fashion accessories, cosmetics and beauty supplies. Starting in fiscal 2009, Perfumania has also purchased merchandise from Quality King. Purchases from related parties are generally payable in 90 days; however, due to the seasonality of Parlux’s business, these terms are generally extended. Related party accounts have historically been brought closer to terms at the end of the holiday season. During the rest of the year, Perfumania has relied upon these extended terms to provide a portion of its liquidity. Transactions for merchandise purchases with these related companies during fiscal 2011 and 2010 were as follows:

	Total Purchases Fiscal Year Ended January 28, 2012	Total Purchases Fiscal Year Ended January 29, 2011	Total Purchases Fiscal Year Ended January 30, 2010	Balance Due January 28, 2012
Parlux	$44,059	$45,679	$31,671	$10,476
Quality King	—	3,529	18,064	—
Lighthouse Companies	11,113	9,388		128
Ricky's	218	—	—	11
	$55,390	$58,596	$49,735	$10,615

The Nussdorfs own GSN Trucking, Inc. (“GSN”) which provides general transportation and freight services. Perfumania periodically utilizes GSN to transport both inbound purchases of merchandise and outbound shipments to wholesale customers. During fiscal 2009 and 2010, total payments to GSN for transportation services provided were approximately $0.2 million, and they were $0.1 million in fiscal 2011. There was no balance due to GSN at January

28, 2012.

Quality King occupies a leased 560,000 square foot facility in Bellport, NY. Perfumania began occupying approximately half of this facility in December 2007 under a sublease that terminates on September 30, 2027, and this location serves as

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Perfumania's principal offices. The monthly current sublease payments of approximately $218,000 increase by 3% annually. Perfumania paid approximately $2.6 million, $2.5 million, and $2.4 million in rent for fiscal 2011, 2010 and 2009, respectively.

Perfumania and Quality King are parties to a Services Agreement providing for Perfumania's participation in certain third party arrangements at its respective share of Quality King's cost, including allocated overhead, plus a 2% administrative fee, and the provision of legal services. Perfumania also shares with Quality King the economic benefit of the bulk rate contract that it has with UPS to ship Quality King's merchandise and related items. The Services Agreement will terminate on thirty days' written notice from either party. During both fiscal 2010 and 2009, allocated operating expenses and payments charged under these arrangements were $0.6 million and, during fiscal 2011, they were $0.7 million.

Perfumania's Related Party Transaction Policy

It is Perfumania's policy that all related party transactions be disclosed to the Audit Committee of the Board of Directors for review and approval. The Committee reviews all relationships and transactions reported to it in which Perfumania and any of its directors, executive officers or principal stockholders, or any of their immediate family members, are participants to determine whether such persons have a direct or indirect material interest. Perfumania's Chief Financial Officer is primarily responsible for the development and implementation of processes and controls to obtain information from such persons with respect to related person transactions and for then determining, based on the facts and circumstances, whether Perfumania or a related person has a direct or indirect material interest in the transaction. In the course of its review and approval or ratification of a disclosable related party transaction, the Audit Committee considers:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to Perfumania;
- whether the transaction would impair the judgement of a director or executive officer to act in Perfumania's best interest; and
- any other matters the Committee deems appropriate.

Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the Committee that considers the transaction.

Perfumania's board of directors has determined that Carole Ann Taylor, Joseph Bouhadana and Paul Garfinkle are independent, as defined by Nasdaq Stock Market rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed by J.H. Cohn LLP for fiscal 2011 and 2010 are as follows:

Fees	Fiscal 2011	Fiscal 2010
Audit Fees (1)	$492,130	$446,653
Audit-Related Fees (2)	110,000	—
Tax Fees	—	—
All Other Fees (3)	—	7,500
Total Fees	$602,130	$454,153

(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 consists of fees billed in connection with the pending Merger with Parlux.

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(3) “All Other Fees” consist of fees billed in connection with our SEC filings.

The Audit Committee considered and determined that the provision of services as described above was compatible with maintaining J.H. Cohn LLP's independence. The Audit Committee pre-approved the engagement of J.H. Cohn LLP for all professional services. The pre-approval process generally involves the full Audit Committee's evaluating and approving the particular engagement before the commencement of services. All of the services described above under “All Other Fees” were pre-approved by the Audit Committee.

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PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:
(1) Financial Statements
An index to financial statements for the fiscal periods ended January 28, 2012 and January 29, 2011 appears on page 22.
(1) Financial Statement Schedules
None
(2) Exhibits

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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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

Perfumania Holdings, Inc.

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

By: /s/ DONNA L. DELLOMO
Donna L. Dellomo,
Chief Financial Officer
(Principal Accounting Officer)

Date: April 16, 2012

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.

SIGNATURES	TITLE	DATE
/S/ MICHAEL W. KATZ Michael W. Katz	President and Chief Executive Officer (Principal Executive Officer)	April 16, 2012
/S/ STEPHEN NUSSDORF Stephen Nussdorf	Executive Chairman of the Board of Directors	April 16, 2012
/S/ DONNA L. DELLOMO Donna L. Dellomo	Chief Financial Officer (Principal Accounting Officer)	April 16, 2012
/S/ CAROLE ANN TAYLOR Carole Ann Taylor	Director	April 16, 2012
/S/ JOSEPH BOUHADANA Joseph Bouhadana	Director	April 16, 2012
/S/ PAUL GARFINKLE Paul Garfinkle	Director	April 16, 2012

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EXHIBIT	DESCRIPTION
2.1	Agreement and Plan of Merger, dated December 23, 2011, among Parlux Fragrances, Inc., Perfumania Holdings, Inc. and PFI Merger Corp. (Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed December 23, 2011).
3.1	Amended and Restated Articles of Incorporation, as amended through August 8, 2008 (Incorporated by reference to Exhibit 3.1 to the Company’s Form 10-K filed July 2, 2009).
3.2	Bylaws (Incorporated by reference to Exhibit 3.2 to the Company’s Registration Statement on Form S-4 (File No. 333-179124)).
4.1	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Glenn Nussdorf 10 Year Grantor Retained Annuity Trust dated 11/1/98.(Incorporated by reference to Exhibit 4.1 to the Company's Form 10-K filed April 28, 2011).
4.2	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Glenn Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98.(Incorporated by reference to Exhibit 4.2 to the Company's Form 10-K filed April 28, 2011).
4.3	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Stephen Nussdorf 10 Year Grantor Retained Annuity Trust dated 11/1/98.(Incorporated by reference to Exhibit 4.3 to the Company's Form 10-K filed April 28, 2011).
4.4	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Stephen Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98.(Incorporated by reference to Exhibit 4.4 to the Company's Form 10-K filed April 28, 2011).
4.5	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Arlene Nussdorf 10 Year Grantor Retained Annuity Trust dated 11/1/98.(Incorporated by reference to Exhibit 4.5 to the Company's Form 10-K filed April 28, 2011).
4.6	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Arlene Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98.(Incorporated by reference to Exhibit 4.6 to the Company's Form 10-K filed April 28, 2011).
4.7	Amended and Restated Subordinated Promissory Note, dated as of January 7, 2011, issued by Model Reorg Acquisition LLC for the benefit of Quality King Distributors, Inc.(Incorporated by reference to Exhibit 4.7 to the Company's Form 10-K filed April 28, 2011).
4.8	Nussdorf Subordinated Secured Convertible Note and Security Agreement dated March 9, 2004, with Amendments dated as of January 24, 2006 and August 11, 2008 (Incorporated by reference to Exhibit 4.8 to the Company’s Form 10-K filed July 2, 2009).
4.9	Subordination Agreement dated as of January 7, 2011, among Glenn Nussdorf 10 Year Grantor Retained Annuity Trust dated 11/1/98, Glenn Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98, Stephen Nussdorf 10 Year Grantor Retained Annuity Trust dated 11/1/98, Stephen Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98, Arlene Nussdorf 10 Year Grantor Retained Annuity Trust

	dated 11/1/98, and Arlene Nussdorf 15 Year Grantor Retained Annuity Trust dated 11/2/98, and Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent for the Lenders under the Credit Agreement. (Incorporated by reference to Exhibit 4.9 to the Company's Form 10-K filed April 28, 2011).
4.10	Subordination Agreement dated as of January 7, 2011, among Quality King Distributors, Inc., and Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent for the Lenders under the Credit Agreement. (Incorporated by reference to Exhibit 4.10 to the Company's Form 10-K filed April 28, 2011).

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4.11	Subordination Agreement dated as of January 7, 2011, among the Company, Stephen Nussdorf, Glenn Nussdorf, and Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent for the Lenders under the Credit Agreement. (Incorporated by reference to Exhibit 4.11 to the Company's Form 10-K filed April 28, 2011).
4.12	Form of Warrant issued to the former Model Reorg, Inc. shareholders on August 11, 2008 (Incorporated by reference to Exhibit 4.8 to the Company's Form 10-Q filed December 17, 2008).
10.1	2010 Equity Incentive Plan (Incorporated by reference to Appendix A to the Company's Proxy Statement filed September 23, 2010).*
10.2	2000 Stock Option Plan, as amended, including form of option agreement (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-K filed July 2, 2009).*
10.3	2000 Directors Stock Option Plan, including form of option agreement (Incorporated by reference to Exhibit 10.3 to the Company's Form 10-K filed July 2, 2009).*
10.4	Lease Agreement between Perfumania, Inc. and Victory Investment Group, LLC, dated October 21, 2002 (Incorporated by reference to Exhibit 10.4 to the Company's Form 10-K filed July 2, 2009).
10.5	Sub-Sublease, dated as of October 1, 2007, by and between Quality King Distributors, Inc. and Model Reorg, Inc. (Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed December 17, 2008).
10.6	Credit Agreement, dated as of January 7, 2011, among the Company, Quality King Fragrance, Inc., Scents Of Worth, Inc., Five Star Fragrance Company, Inc., Northern Group, Inc., Perfumania, Inc., Magnifique Parfumes And Cosmetics, Inc., Ten Kesef II, Inc., Perfumania.com, Inc., and Perfumania Puerto Rico, Inc., as Borrowers, the other credit parties signatory thereto, as Credit Parties, the lenders signatory thereto from time to time, as Lenders, Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swing Line Lender, Bank of America, N.A., as Syndication Agent, Regions Bank and RBS Business Capital, a division of RBS Asset Finance, Inc., as Co-Documentation Agents, and Wells Fargo Capital Finance, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners (the "Credit Agreement"). (Incorporated by reference to Exhibit 10.6 to Perfumania's Form 10-K filed April 28, 2011).
10.7	Amendment No. 1 to the Credit Agreement and Consent dated as of December 23, 2011. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 23, 2011)
10.8	Registration Rights Agreement dated August 11, 2008 by and among the Company and the former Model Reorg, Inc. shareholders (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed December 17, 2008).
10.9	Services Agreement, dated as of August 11, 2008, between the Company and Quality King Distributors, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed December 17, 2008).
10.10	Voting Agreement, dated December 23, 2011, among Glenn Nussdorf, Stephen Nussdorf, Arlene Nussdorf and Parlux Fragrances, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed December 23, 2011).

10.11	Voting Agreement, dated December 23, 2011, among the Company, JM-CO Capital Fund, LLC, Jacavi Investments, LLC, Aqua Capital Fund, LLC, Jacqueline Maria Garcia 2006 Family Trust, Carolina Maria Garcia 2006 Family Trust and the Irrevocable Trust for Victor Garcia (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed December 23, 2011).
10.12	Form of Voting Agreement, dated December 23, 2011, between the Company and each of Frederick E. Purches, Frank A. Buttacavoli, Raymond J. Balsys, Anthony D'Agostino, Esther Egozi Choukroun, Glenn Gopman and Robert Mitzman (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed December 23, 2011).

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10.13	Stockholders Agreement, dated as of December 23, 2011, by and among the Company, Rene Garcia, JM-CO Capital Fund, LLC, Jacavi Investments, LLC, Aqua Capital Fund, LLC, Jacqueline Maria Garcia 2006 Family Trust, Carolina Maria Garcia 2006 Family Trust and the Irrevocable Trust for Victor Garcia. (Incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-4 (File No. 333-179124)).
10.14	Letter Agreement, dated December 23, 2011, by and among the Company, Parlux Fragrances, Inc., Artistic Brands Development, LLC and Rene Garcia. (Incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-4 (File No. 333-179124)).
10.15	Letter Agreement, dated December 23, 2011, by and among the Company, Artistic Brands Development, LLC, S Carter Enterprises, LLC and Shawn Carter. (Incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-4 (File No. 333-179124)). (Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.)
21.1	Subsidiaries of the Registrant
23.1	Consent of J.H. Cohn LLP
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Indicates a management contract or compensatory plan or arrangement