

INTER PARFUMS INC
Form 424B4
October 27, 2005

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-128170

P R O S P E C T U S

3,436,050 Shares
Inter Parfums, Inc.
Common Stock
\$15.50 per share

One of the selling stockholders named in this prospectus is selling 3,436,050 shares. Two other selling stockholders have granted the underwriters an option to purchase up to an aggregate of 515,408 additional shares of common stock to cover over-allotments. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock is quoted on the Nasdaq National Market under the symbol "IPAR." The last reported sale of our common stock as reported on the Nasdaq National Market on October 25, 2005 was \$16.74 per share.

Investing in our common stock involves risks. For more information, please see "Risk Factors" beginning on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$ 15.500	\$ 53,258,775
Underwriting Discount	\$ 0.775	\$ 2,662,939
Proceeds to Selling Stockholders (before expenses)	\$ 14.725	\$ 50,595,836

The underwriters expect to deliver the shares to purchasers on or about October 31, 2005.

Citigroup

Oppenheimer & Co.

SG Cowen & Co.

October 25, 2005

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, which we refer to as the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

To the extent that the offer of the shares is made in any European Economic Area, or EEA, member state that has implemented Directive 2003/71/EC (such Directive, together with any applicable implementing measures in the relevant home member state under such Directive, the [Prospectus Directive]), before the date of publication of a prospectus in relation to the shares which has been approved by the competent authority in that EEA member state in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that EEA member state in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that EEA member state within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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IMPORTANT NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “will,” “should,” “could,” “may,” “intend,” “expect,” “plan,” “potential,” or “continue” or similar expressions identify certain of such forward-looking statements. Although we believe that our plans, intentions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved.

Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this prospectus. Important factors that could cause actual results to differ materially from our forward-looking statements are set forth in this prospectus, including under the heading “Risk Factors”. Such factors include dependence upon Burberry for a significant portion of our sales, continuation and renewal of existing license agreements, protection of our intellectual property rights, effectiveness of sales and marketing efforts and product acceptance by consumers, dependence upon third party manufacturers and distributors, dependence upon management, competition, currency fluctuation and international tariff and trade barriers, governmental regulation and possible liability for improper comparative advertising or “Trade Dress”. In addition and with respect to our recently reported agreement with The Gap, Inc. (Gap), such factors include approval of new products by Gap and sales and marketing efforts of Gap.

These factors are not intended to represent a complete list of the general or specific factors that may affect us. It should be recognized that other factors, including general economic factors and business strategies, may be significant, presently or in the future, and the factors set forth herein may affect us to a greater extent than indicated. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in this prospectus. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Unless the context otherwise requires, the terms “Inter Parfums,” “we,” “our,” “us,” and “the company” refer to Inter Parfums, Inc., a Delaware corporation.

SUMMARY

The following summary is qualified in its entirety by and should be read together with the more detailed information and audited financial statements, including the related notes, contained or incorporated by reference in this prospectus.

Our Business

Inter Parfums is a worldwide marketer of prestige perfumes and mass market perfumes, cosmetics and health and beauty aids. We operate in the fragrance and cosmetic industry, and manufacture, market and distribute a wide array of fragrances, cosmetics and health and beauty aids. We specialize in prestige fragrances with a focus on licensed designer brands.

Prestige fragrances represent over 80% of our total sales. Our brand name portfolio, which has steadily increased, is now essentially comprised of nine brand names, each of which has a variety of product lines. Burberry is our leading prestige brand name, as sales of Burberry products represented 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

Our prestige products focus on niche brands with a devoted following. By concentrating in markets where the brands are known, Inter Parfums has had many successful launches. We typically launch new fragrance families for our brands every 2-3 years, with some frequent "seasonal" fragrances introduced as well.

The creation and marketing of each product line are intimately linked with the brand's name, its past and present positioning, customer base and, more generally, the prevailing market atmosphere. Accordingly, we generally study the market for each proposed product line for almost a full year before we introduce any new product into the market. This study is intended to define the general position of the line and more particularly its fragrance, bottle, packaging and appeal to the buyer. In our opinion, the unity of these four elements of the marketing mix makes for a successful product.

The recent signing of our exclusive agreement with Gap (see "Recent Developments") to develop and provide fragrance and personal care products to be sold in approximately 1,390 Gap and 462 Banana Republic retail stores in the U.S. and Canada (number of stores as reported by Gap at April 30, 2005) will establish our entry point into the "specialty retail" market.

Over the past five years, we have grown our business at both the topline and the bottomline. We have grown from \$87.1 million in sales in 1999 to \$236.0 million in 2004, representing a compounded annual growth rate of 22.1%. During the same period, our net income grew from \$4.8 million in 1999 to \$15.7 million in 2004, representing a compounded annual growth rate of 26.6%. Our management targets long term sales growth of approximately 10% (measured on an annual basis) and long term net income growth of approximately 12-15% (measured on an annual basis). There can be no assurance that we will achieve these targets in any particular period, or at all, however.

Our worldwide headquarters are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is (212) 983-2640.

Our Prestige Products

Primarily through our 74% owned subsidiary in Paris, Inter Parfums, S.A., we have sought to build a portfolio of luxury brand names, primarily through licensing agreements, or through direct acquisition of brand names. Under license agreements, we obtain the right to use the brand name, create new fragrances and packaging, determine positioning and distribution, and market and sell the licensed products, in exchange for the payment of royalties. Our rights under license agreements are also generally subject to certain minimum sales requirements and advertising expenditures.

Prestige Fragrances

BURBERRY -- Burberry is our leading prestige fragrance brand and we operate under an exclusive worldwide license with Burberry Limited that was originally entered into in 1993 and replaced by a new agreement in 2004.

We have had significant success in introducing new fragrance families under the Burberry brand name. We have introduced several fragrance families including *Burberry London*, *Burberry Week End*, *Burberry Touch* and *Burberry Brit*. Successful distribution has been achieved in more than a hundred countries around the world by differentiating the positioning and target consumer of each of the families. Our success is evidenced by a 31% five-year compounded annual growth rate in sales of fragrances under the Burberry brand since 1999.

Our most recent fragrance family, *Burberry Brit*, of which the women's scent was launched in fall 2003 and the men's scent launched in fall 2004, has received much industry recognition. *Burberry Brit for Women* was named the Fragrance of the Year in the Women's Luxe category at the Annual Fragrance Foundation FiFi Awards in 2004. *Burberry Brit for Men* received two awards at the Annual Fragrance Foundation FiFi Awards in April 2005 for Best Men's Fragrance in the Luxe category and for Best Print National Advertising Campaign of the Year. *Burberry Brit Red* was awarded a FiFi in April 2005 for Best Women's Fragrance in the Nouveau Niche category. As the Burberry brand continues to develop and expand by attracting new customers, the Burberry fragrance portfolio follows suit expanding and continuing to post sales growth years after launches. *Burberry Brit Gold - limited edition* is scheduled for a holiday launch in 2005.

LANVIN -- In June 2004, Inter Parfums S.A. and Lanvin S.A. signed a worldwide license agreement to create, develop and distribute fragrance lines under the Lanvin brand name. A synonym of luxury and elegance, the Lanvin fashion house, founded in 1889 by Jeanne Lanvin, expanded into fragrances in the 1920s. Today, Lanvin fragrances occupy important positions in the selective distribution market in France, Europe and Asia, particularly with the lines *Arpège* (created in 1927), *Lanvin L'Homme* (1997) and *Eclat d'Arpège* (2002). Our first Lanvin fragrance, *Arpège pour Homme*, is set for a late 2005 debut. *Arpège* by Lanvin won the honor of entering the Fragrance Hall of Fame at the 2005 FiFi Awards, an honor given to the best fragrance sold for at least 15 years that has been revitalized.

PAUL SMITH -- We signed an exclusive license agreement with Paul Smith in December 1998, our first designer fragrance, for the creation, manufacture and worldwide distribution of Paul Smith perfumes and cosmetics. Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: *Paul Smith*, *Paul Smith Extreme* and *Paul Smith London*. *Paul Smith London for Men* was awarded a FiFi award in April 2005 for Best Men's Fragrance in the Nouveau Niche category.

S.T. DUPONT -- In June 1997, we signed an exclusive license agreement with S.T. Dupont for the creation, manufacture and worldwide distribution of S.T. Dupont perfumes. Fragrances include: *S.T. Dupont Paris*, *S.T. Dupont Essence Pure* and *L'Eau de S.T. Dupont*. A new fragrance line for men is under development, tentatively scheduled for launch in 2006.

CHRISTIAN LACROIX -- In March 1999, we entered into an exclusive license agreement with the Christian Lacroix Company, formerly a division of LVMH Moët Hennessy Louis Vuitton S.A., for the worldwide development, manufacture and distribution of perfumes. For us, this association with a prestigious fashion label is another key area for growth which we expect will further strengthen our position in the prestige fragrance market. Our fragrances include: *Eau Florale*, *Bazar* and *Bazar Summer Fragrance*. This summer (2005), we launched a new fragrance family, *Tumulte*, for the Christian Lacroix brand for both men and women.

CELINE -- In May 2000, we entered into an exclusive worldwide license agreement for the development, manufacturing and distribution of fragrance lines under the Celine brand name with Celine, a division of LVMH Moët Hennessy Louis Vuitton S.A. Celine, a French luxury fashion and accessory company is known throughout the world for its luxury and quality products. This agreement is an important part of Celine's strategy to develop

dynamic brand recognition and to offer a varied range of luxury items to an international clientele. Fragrances include: *Celine*, *Oriental Summer* and *Fever*.

Prestige Skin Care and Color Cosmetics

NICKEL -- In April 2004 Inter Parfums, S.A. acquired a 67.5% interest in Nickel S.A. Established in 1996 by Philippe Dumont, Nickel has developed two innovative concepts in the world of cosmetics: spas exclusively for male customers and skin care product lines for men. The Nickel range of some 15 skin care products for the face and body is sold through prestige department and specialty stores primarily in France, the balance of Western Europe and in the United States, as well as through our men's spas in Paris and New York.

DIANE VON FURSTENBERG -- In May 2002 we entered into an exclusive worldwide license agreement with Diane von Furstenberg Studio, L.P. for the development, manufacturing and distribution of fragrance, cosmetics, skin care and related beauty products, to be sold under the *Diane von Furstenberg*, *DVF*, *Diane von Furstenberg* *The Color Authority* and *Tatiana* brand names. DVF represents our first line of prestige cosmetics.

Our Mass Market Products

Our mass market products are comprised of alternative designer fragrances, cosmetics, health and beauty aids and personal care products. We produce and market a complete line of alternative designer fragrances and personal care products that sell at a substantial discount from their brand name counterparts. Our alternative designer fragrances are similar in scent to highly advertised designer fragrances that are marketed at a higher retail price. Our mass market fragrance brands include several proprietary brand names as well as licenses for the names *Jordache* and *Tatiana*. We also market our *Aziza* line of low priced eye shadow kits, mascara, and pencils, focusing on the young teen market. In 2001, we introduced a new line of mass market health and beauty aids under our *Intimate* brand name consisting of shampoo, conditioner, hand lotion and baby oil. We distribute this line to the same mass market retailers and discount chains as our *Aziza* cosmetic line.

Business Strategy

Focus on prestige beauty brands. Prestige beauty brands contribute significantly to our growth. Over the past few years, prestige brands have accounted for a larger portion of our business — 84% of total business in 2004 from 68% in 2002. We focus on developing and launching quality fragrances utilizing internationally renowned brand names. By identifying and concentrating in the most receptive market segments and territories where our brands are known, and executing highly targeted launches that capture the essence of the brand, Inter Parfums has had a history of successful launches. Certain fashion designers and other licensors choose Inter Parfums as a partner because the company's size enables us to work more closely with them in the product development process as well as because of our successful track record.

Grow portfolio brands through new product development and marketing. We grow through the creation of product line extensions within the existing brands in our portfolio. Every two to three years, we create a new family of fragrances for each brand in our portfolio. We frequently introduce "seasonal" fragrances as well. With new introductions, we leverage our ability and experience to gauge trends in the market and further leverage the brand name into different product lines in order to maximize sales and profit potential. We have had success in introducing new fragrance families (sub-brands, or flanker brands) within our brand franchises. Furthermore, we promote the smooth and consistent performance of our prestige perfume operations through knowledge of the market, detailed analysis of the image and potential of each brand name, a "good dose" of creativity and a highly professional approach to international distribution channels.

Continue to add new brands to our portfolio, through new licenses or acquisitions. Prestige brands are the core of our business — we intend to add new prestige beauty brands to our portfolio. Over the past decade, we have built our portfolio of well-known prestige brands through acquisitions and new license agreements. We intend to further build on our success in prestige fragrances and pursue new licenses and acquire new brands to strengthen our position in the prestige beauty market. We identify prestige brands that can be developed and marketed into a

full and varied product line and, with our technical knowledge and practical experience gained over time, take licensed brand names through all phases of concept development, manufacturing, and marketing.

Expand existing portfolio into new categories. We plan to broaden our product offering beyond the fragrance category and offer other personal care products such as skin care, cosmetics and hair care under some of our existing brands. We believe such product offerings meet customer needs and further strengthen customer loyalty. We also plan to draw upon the skin care product expertise that the Nickel team brings, as we explore other opportunities in the treatment side of the beauty business beyond the Nickel brand. Furthermore, the new license agreement with Burberry signed in 2004 extends to skin care.

Continue to build global distribution footprint. Our business is a global business and we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, we plan to modify our distribution model, which may involve the future formation of joint ventures or company-owned subsidiaries within key markets. We believe that vertical integration of our distribution network is key to the future growth of our company and that ownership of such distribution should enable us to better serve our customers' needs in local markets and adapt more quickly as situations may determine.

Build specialty retail beauty business through the Gap relationship. We believe the beauty industry has experienced a significant growth in specialty retail and our newly formed relationship with Gap provides an entry into this market. We will be responsible for product development, formula creation, packaging and manufacturing under Gap and Banana Republic brands. Gap, a leading international specialty retailer offering clothing, accessories and personal care products for men, women, children and babies, will be responsible for marketing and selling the newly launched product lines in its stores.

Recent Developments

Gap and Banana Republic

On July 14, 2005, we entered into an exclusive agreement with Gap to develop, produce, manufacture and distribute personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. This agreement marks our entry into the specialty retail store fragrance business.

Our exclusive rights under the agreement are subject to certain exceptions. The principal exceptions are that the agreement excludes any rights with respect to outlet stores, on-line, catalog and mail-order, and stores outside the United States and Canada, although Gap has the right to expand the agreement to its outlet stores if it chooses.

The initial term of this agreement expires on August 31, 2009, and the agreement includes an additional two-year optional term that expires on August 31, 2011, as well as a further additional two-year term that expires on August 31, 2013, in each case if certain retail sales targets are met or Gap chooses to extend the term. In addition, if the agreement is extended for the first optional term, then Gap has the right to terminate our rights under the agreement before the end of that first optional term if Gap pays an amount specified in a formula, with the right to be exercised during the period beginning on September 1, 2010 and expiring on August 31, 2011.

Although the initial line has not been finalized, potential products include fragrance and related personal care products. The new products are expected to launch at Banana Republic in the fall of 2006 and at Gap in 2007. We have established a dedicated operating unit and have begun staffing it. Eventually, this unit will employ between 15 to 25 people. We are also engaging a third party design and marketing firm to work with us on concept and formulations. As this is an important new dimension to our business, we intend to devote the resources, human, financial and creative, that may be required to make these programs successful. Accordingly, we have budgeted between \$1.5 million and \$2.5 million in Gap-related start-up expenses for the second half of 2005.

2005 Guidance

In August, we adjusted our 2005 sales and earnings guidance to factor in the aforementioned Gap-related expenses, plus the weakness in the dollar relative to other currencies, primarily to the euro. Our \$280 million 2005 sales projection that we reported in May assumed that the dollar remained at current levels, which has not been the case. Assuming that the dollar remained at current levels, we announced in August that our 2005 sales were expected to come in at approximately \$274 million, which represents a nearly 17% increase over 2004 sales, and that our revised net income guidance was \$14.6 million or \$0.71 per diluted share.

The Offering

Common Stock offered by the selling stockholders

One of the selling stockholders, LV Capital USA, Inc. (LV Capital), is selling 3,436,050 shares of our common stock.

Over-Allotment option

Two of the selling stockholders, Jean Madar and Philippe Benacin, have granted the underwriters an option to purchase up to an aggregate of 515,408 additional shares of common stock to cover over-allotments.

Use of Proceeds

We will not receive any proceeds from the sale of the shares by the selling stockholders.

Nasdaq National Market Symbol

IPAR

The information in this prospectus assumes no exercise of the over-allotment option except where otherwise noted.

RISK FACTORS

You should carefully consider these risk factors, together with all of the other information contained or incorporated by reference in this prospectus, before you decide to purchase shares of our common stock. These factors could cause our future results to differ materially from those expressed or implied in forward-looking statements made by us. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

We are dependent upon Burberry for a significant portion of our sales, and the loss of this license will have a material adverse effect on us.

Burberry is our leading prestige brand name, as sales of Burberry products represented 62%, 56% and 41% of net sales for the years ended December 31, 2004, 2003 and 2002, respectively.

In October 2004 our Paris-based subsidiary, Inter Parfums, S.A., entered into a 12.5 -year, exclusive worldwide fragrance license with Burberry Limited, effective as of July 1, 2004, which replaced the original 1993 license. This license includes an additional five-year optional term that requires the consent of both Burberry and Inter Parfums, S.A., and must be exercised, if at all, prior to December 31, 2014. In addition, Burberry has the right on December 31, 2009 and December 31, 2011 to buy back the license at its then fair market value. Further, this license provides for a termination on a change in control of either Inter Parfums, S.A., the licensee, or Inter Parfums, Inc., the guarantor.

This license is subject to Inter Parfums, S.A. making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. The new royalty rates, which are approximately double the rates under the prior license, commenced as of July 1, 2004. The new advertising and promotional expenditures, which commenced on January 1, 2005, as well as the minimum sales requirements, are substantially higher than under the prior license.

We are dependent upon the continuation and renewal of various licenses for a significant portion of our sales, and the loss of one or more licenses could have a material adverse effect on us.

Substantially all of our prestige fragrance brands are licensed from unaffiliated third parties and our business is dependent upon the continuation and renewal of such licenses on terms favorable to us. Each license is for a specific term and may have additional optional terms. In addition, each license is subject to us making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. Just as the loss of a license may have a material adverse effect on us, a renewal on less favorable terms may also negatively impact us.

If we are unable to protect our intellectual property rights, specifically trademarks and brand names, our ability to compete could be negatively impacted.

The market for our products depends to a significant extent upon the value associated with our trademarks and brand names. We own, or have licenses or other rights to use, the material trademark and brand name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where such products are principally sold. Therefore, trademark and brand name protection is important to our business. Although most of our brand names are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and brand names may be substantial.

The success of our products is dependent on public taste.

Our revenues are substantially dependent on the success of our products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which we have little, if any, control. In addition, we have to develop successful marketing, promotional and sales programs in order to sell our fragrances and cosmetics. If we are not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on our business, financial condition and operating results.

We are subject to extreme competition in both the prestige and mass markets.

The market for fragrances and beauty related products is highly competitive and sensitive to changing market preferences and demands. Many of our competitors in this market (particularly in the prestige fragrance and cosmetic industry) are larger than we are and have greater financial resources than are available to us, potentially allowing them greater operational flexibility.

Our success in the prestige fragrance and cosmetic industry is dependent upon our ability to continue to generate original strategies and develop quality products that are in accord with ongoing changes in the market. Our success in the mass market fragrance industry is dependent upon our ability to competitively price quality products and to quickly and efficiently develop and distribute new products. Our success in the mass market color cosmetics and health and beauty aids industry is dependent upon the continued positive brand recognition of our *Aziza* and *Intimate* brand names, in addition to our ability to compete on price.

If there is insufficient demand for our existing fragrances, cosmetics and health and beauty aids, we do not develop future strategies and products that withstand competition or we are unsuccessful in competing on price terms, then we could experience a material adverse effect on our business, financial condition and operating results.

Consumers may reduce discretionary purchases of our products as a result of a general economic downturn.

We believe that consumer spending on beauty products is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience sustained periods of declines in sales during economic downturns, or if terrorism or diseases affect customers' purchasing patterns. In addition, a general economic downturn may result in reduced traffic in our customers' stores which may, in turn, result in reduced net sales to our customers. Any resulting material reduction in our sales could have a material adverse effect on our business, financial condition and operating results.

We are dependent upon Gap to approve and sell products that we develop for Gap. In addition, we anticipate incurring expenses prior to any products being launched and the initial lines of products are not scheduled to be launched until 2006 and 2007.

We recently reported that we entered into an exclusive agreement with Gap to develop, produce, manufacture and distribute personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. Under the terms of such agreement, the products that we develop are subject to the approval of Gap and sales and marketing efforts of Gap.

Although the initial line has not been finalized, potential products include fragrances and related personal care products. The new products are expected to launch at Banana Republic in the fall of 2006 and at Gap in 2007. We envision incurring staffing, product development and other start-up expenses, including those of a third-party design and marketing firm.

If we are unable to cooperate successfully with Gap in creating successful new products, our future growth potential could be negatively impacted.

If we are unable to acquire or license additional brands, or obtain the required financing for these agreements and arrangements, the growth of our business could be impaired.

Our future expansion through acquisitions or new product distribution arra