TELEFLEX INC
Form S-3ASR
May 11, 2016
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As filed with the Securities and Exchange Commission on May 11, 2016

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Teleflex Incorporated

(Exact name of registrant as specified in its charter)

SEE TABLE OF ADDITIONAL REGISTRANTS

Delaware	**23-1147939**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification No.)**

3841

(**Primary Standard Industrial**

Classification Code Number)

550 East Swedesford Road, Suite 400

Wayne, PA 19087

(610) 225-6800

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

James J. Leyden

Vice President, General Counsel and Secretary

550 East Swedesford Road, Suite 400

Wayne, PA 19087

(610) 225-6800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Roxane F. Reardon

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

Tel: (212) 455-2000

Fax: (212) 455-2502

Approximate date of commencement of proposed sale to the public: From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price	Maximum Aggregate Offering Price	Amount of Proposed Registration Fee

		Per Share		
Debt Securities	(2)	(2)	(2)	(3)
Guarantees of Debt Securities	(2)(4)	(2)(4)	(2)(4)	(3)(4)
Common Stock, par value $1 per share	(2)	(2)	(2)	(3)
Preference Stock, par value $1 per share(1)	(2)	(2)	(2)	(3)
Depositary Shares	(2)	(2)	(2)	(3)
Warrants	(2)	(2)	(2)	(3)
Purchase Contracts	(2)	(2)	(2)	(3)
Units	(2)	(2)	(2)	(3)

(1) The preference stock may be issued from time to time in one or more series, including, but not limited to, series designated as preferred stock .

(2) Omitted pursuant to General Instructions II.E of Form S-3. An indeterminate amount of debt securities, guarantees of debt securities, common stock, preference stock, depositary shares, warrants, purchase contracts and units are being registered as may from time to time be issued at indeterminate prices. The securities being registered hereby may be convertible into or exchangeable or exercisable for other securities of any identified class. In addition to the securities that may be issued directly under this registration statement, there is being registered hereunder such indeterminate aggregate number or amount, as the case may be, of the securities of each identified class as may from time to time be issued upon the conversion, exchange, settlement or exercise of other securities offered hereby. Separate consideration may or may not be received for securities that are issued upon the conversion or exercise of, or in exchange for, other securities offered hereby. Securities registered hereby may be offered for U.S. dollars or the equivalent thereof in foreign currencies. See inside facing page for table of registrant guarantors.

(3) Pursuant to Rules 456(b) and 457(r), the Registrant is deferring payment of the Registration Fee. Registration fees will be paid subsequently on a pay as you go basis.

(4) Pursuant to Rule 457(n), no separate registration fee is payable with respect to the guarantees of debt securities.

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TABLE OF ADDITIONAL REGISTRANTS

The following direct and indirect subsidiaries of Teleflex Incorporated may guarantee debt securities and are co-registrants under this registration statement.

xact Name of Guarantor as Specified in its Charter	State or Other Jurisdiction of Organization	I.R.S. Employer Identification Number	Industrial Classification Code Number	Address Including Zip Co and Telephone Number Including Area Code of Registrant Guarantor s Principal Executive Offic
rfoil Technologies International-Ohio, Inc.	DE	34-1524431	9999	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**
rrow International Investment Corp.	DE	51-0318940	6719	**Little Falls Centre II 2751 Centerville Road Suite 3151 Wilmington, DE 19808 Telephone: (302) 225-505**
rrow International, Inc.	PA	23-1969991	3841	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**
rrow Interventional, Inc.	DE	23-2766329	3841	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**
otspur Technologies, Inc.	DE	26-3621954	3841	**550 E. Swedesford Road Suite 400**

				Wayne, PA 19087 **Telephone: (610) 225-680**
echnology Holding Company II	DE	23-2365446	6719	**Little Falls Centre II** **2751 Centerville Road** **Suite 3148** **Wilmington, DE 19808** **Telephone: (302) 225-505**
echnology Holding Company III	DE	51-0375996	6719	**Little Falls Centre II** **2751 Centerville Road** **Suite 3149** **Wilmington, DE 19808** **Telephone: (302) 225-505**
eleflex Medical Incorporated	CA	95-1867330	3841	**550 E. Swedesford Road** **Suite 400** **Wayne, PA 19087** **Telephone: (610) 225-680**
FX Equities Incorporated	DE	23-2494396	6719	**Little Falls Centre II** **2751 Centerville Road** **Suite 3150** **Wilmington, DE 19808** **Telephone: (302) 225-505**
FX International Corporation	DE	51-0234032	6719	**Consolidated Services Limited** **3rd Floor, Par la Ville Place, 14 Par la Ville Roa** **Hamilton HM08, Bermud** **Telephone: (441) 295-831**
FX Medical Wire Products, Inc.	DE	41-1820485	3841	**550 E. Swedesford Road** **Suite 400** **Wayne, PA 19087** **Telephone: (610) 225-680**

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xact Name of Guarantor as Specified in its Charter	State or Other Jurisdiction of Organization	I.R.S. Employer Identification Number	Industrial Classification Code Number	Address Including Zip Co and Telephone Number Including Area Code of Registrant Guarantor Principal Executive Offic
FX North America Inc.	DE	02-0622705	6719	**Consolidated Services Limited 3rd Floor, Par la Ville Place, 14 Par la Ville Roa Hamilton HM08, Bermud Telephone: (441) 295-831**
asoNova, Inc.	DE	20-3890775	3845	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**
dacare LLC	DE	74-2899035	3841	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**
olfe-Tory Medical, Inc.	UT	87-0516090	3841	**550 E. Swedesford Road Suite 400 Wayne, PA 19087 Telephone: (610) 225-680**

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Teleflex Incorporated

Debt Securities

Guarantees of Debt Securities

Common Stock

Preference Stock

Depositary Shares

Warrants

Purchase Contracts

Units

We may offer and sell, from time to time, in one or more offerings, any of the following securities:

- debt securities, in one or more series, which may be senior debt securities, senior subordinated debt securities or subordinated debt securities;
- guarantees, if any, of our obligations under any debt securities, which may be given by one or more of our subsidiaries;
- shares of our common stock;
- shares of our preference stock;
- depositary shares;
- warrants to purchase our debt and common and preferred equity securities;
- purchase contracts;

units; or

any combination of these securities.

In addition, certain selling stockholders may, from time to time, offer and sell shares of our common stock or preference stock, in each case, in amounts, at prices and on terms that will be determined at the time of any such offering.

Our common stock is listed on the New York Stock Exchange under the symbol TFX. Each prospectus supplement will indicate if the securities offered thereby will be listed on a securities exchange.

This prospectus provides a general description of these securities. We will provide the specific terms of the securities, including the names of any selling stockholders, if applicable, in one or more supplements to this prospectus. This prospectus may not be used to offer and sell the securities unless accompanied by a prospectus supplement. You should read this prospectus and the applicable prospectus supplement, as well as the documents incorporated by reference in this prospectus and in any accompanying prospectus supplement, carefully before you invest.

Investing in these securities involves risks. See the information included and incorporated by reference in this prospectus and the accompanying prospectus supplement for a discussion of the factors you should carefully consider before deciding to purchase these securities, including the information under Risk Factors in our most recent annual report on Form 10-K (as it may be updated in our most recent quarterly report on Form 10-Q) filed with the Securities and Exchange Commission.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 11, 2016.

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) under the Securities Act of 1933, as amended (the Securities Act), utilizing a shelf registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings from time to time. In addition, certain selling stockholders may, from time to time, offer and sell shares of our common stock or preference stock, in each case, in amounts, at prices and on terms that will be determined at the time of any such offering.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities under this shelf registration, to the extent required, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including the names of any selling stockholders, if applicable, and may also provide you with a free writing prospectus. The prospectus supplement and any free writing prospectus may also add, update or change information contained in this prospectus. We also include in the prospectus supplement or any free writing prospectus where applicable, information about material United States federal income tax considerations relating to the securities. Therefore, if there is any inconsistency between the information in this prospectus and the prospectus supplement and any free writing prospectus, you should rely on the information in the prospectus supplement and any free writing prospectus. You should read both this prospectus and any prospectus supplement and any free writing prospectus together with additional information described under the heading Where You Can Find More Information and Incorporation of Certain Information by Reference.

The exhibits to the registration statement of which this prospectus is a part contain the full text of certain contracts and other important documents we have summarized in this prospectus. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the securities we may offer, you should review the full text of these documents. The registration statement and the exhibits can be obtained from the SEC as indicated under the heading Where You Can Find More Information below.

We have not authorized anyone to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any applicable prospectus supplement or any related free writing prospectus prepared by us or on our behalf and filed with the SEC. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. This prospectus and the accompanying prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

You should not assume that the information contained in this prospectus, any accompanying prospectus supplement or any free writing prospectus prepared by us is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus, any accompanying prospectus supplement or any free writing prospectus is delivered or securities are sold on a later date. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context indicates otherwise, as used in this prospectus: (i) the Company, us, we, our and Teleflex refe Teleflex Incorporated, a Delaware corporation, and its consolidated subsidiaries and their respective predecessors and (ii) this prospectus refers to this prospectus and any applicable prospectus supplement.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement under the Securities Act on Form S-3 with respect to the securities covered by this prospectus. This prospectus, and any document incorporated by reference into this prospectus, filed as a part of the registration statement, does not contain all the information set forth in the registration statement and its exhibits and schedules, parts of which are omitted in accordance with the rules and regulations of the SEC. For further information about us and the securities covered by this prospectus, reference is made to the registration statement and to its exhibits. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement, with each such statement being qualified in all respects by reference to the document to which it refers. Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information about the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a website maintained by the SEC. The address of this site is http://www.sec.gov.

We are currently subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith file periodic reports, proxy statements and other information with the SEC. You may read and copy (at prescribed rates) any such reports, proxy statements and other information at the SEC s Public Reference Room as described above. Our SEC filings will also be available to you on the SEC s website at www.sec.gov. Our filings with the SEC are also available to the public through the New York Stock Exchange, 20 Broad Street, New York, New York 10005. We make our filings available on the investors section of our website (www.teleflex.com) as soon as reasonably practicable after such material is electronically filed or furnished with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. Our website and the information contained on or accessible through our website are not a part of this prospectus, and you should not rely on any such information in making your decision whether or not to purchase our securities.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus, which means that we can disclose important information about us by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus. This prospectus incorporates by reference the documents and reports listed below:

- our Annual Report on Form 10-K for the year ended December 31, 2015 (including the portions of our Proxy Statement on Schedule 14A for our 2016 annual meeting of stockholders filed with the SEC on March 24, 2016 that are incorporated by reference therein);
- our Quarterly Report on Form 10-Q for the quarter ended March 27, 2016;
- our Current Reports on Form 8-K filed on February 25, 2016 (Item 2.05 only), March 17, 2016, April 4, 2016, April 28, 2016 (Item 5.02 only) and May 5, 2016; and
- the description of our common stock on Form 8-A/A filed on March 16, 1994, as it may be amended or supplemented from time to time.

We also incorporate by reference the information contained in all other documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offerings to which this prospectus relates. The information contained in any such document will be considered part of this prospectus from the date the document is filed with the SEC. We do not incorporate by reference any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K in any future filings unless otherwise stated.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You can obtain any of the filings incorporated by reference into this prospectus through us or from the SEC through the SEC s website at http://www.sec.gov. We will provide, without charge, to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request of such person, a copy of any or all of the reports and documents referred to above which have been or may be incorporated by reference into this prospectus. You should direct requests for those documents to:

Teleflex Incorporated

Attn: Jake Elguicze, Treasurer and Vice President, Investor Relations

550 E. Swedesford Road

Suite 400

Wayne, PA 19087

(610) 225-6800

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FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement, any related free writing prospectus and the documents incorporated by reference herein and therein may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements made in this prospectus, other than statements of historical fact, are forward-looking statements. The words anticipate, believe, estimate, expect, intend, may, plan, will, would, should, guidance, potential, continue, project, forecast, confid similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about our business and the industry and markets in which we operate. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements due to a number of factors, including:

changes in business relationships with and purchases by or from major customers or suppliers, including delays or cancellations in shipments;

demand for and market acceptance of new and existing products;

our ability to integrate acquired businesses into our operations, realize planned synergies and operate such businesses profitably in accordance with expectations;

our ability to effectively execute our restructuring programs;

our inability to realize savings resulting from restructuring plans and programs at anticipated levels;

the impact of recently passed healthcare reform legislation and changes in Medicare, Medicaid and third-party coverage and reimbursements;

competitive market conditions and resulting effects on revenues and pricing;

increases in raw material costs that cannot be recovered in product pricing;

global economic factors, including currency exchange rates, interest rates and sovereign debt issues;

difficulties entering new markets; and

general economic conditions.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them does, what impact they will have on our results of operation and financial condition. You should carefully read the factors described in the Risk Factors section of this prospectus, the applicable prospectus supplement and the documents incorporated by reference into this prospectus for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

You should not place undue reliance on forward-looking statements. Such statements speak only as to the date on which they are made, and we undertake no obligation to update or revise any forward-looking statement, except as otherwise specifically stated by us or as required by law or regulation.

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OUR COMPANY

We are a global provider of medical technology products that enhance clinical benefits, improve patient and provider safety and reduce total procedural costs. We primarily design, develop, manufacture and supply single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications. We market and sell our products to hospitals and healthcare providers worldwide through a combination of our direct sales force and distributors. Because our products are used in numerous markets and for a variety of procedures, we are not dependent upon any one end-market or procedure. We manufacture our products at 25 manufacturing sites, with major manufacturing operations located in the Czech Republic, Germany, Malaysia, Mexico and the United States.

We are focused on achieving consistent, sustainable and profitable growth and improving our financial performance by increasing our market share and improving our operating efficiencies through:

- development of new products and product line extensions;
- investment in new technologies and broadening their applications;
- expansion of the use of our products in existing markets and introduction of our products into new geographic markets;
- achievement of economies of scale as we continue to expand by leveraging our direct sales force and distribution network for new products, as well as increasing efficiencies in our sales and marketing and research and development structures and our manufacturing and distribution facilities; and
- expansion of our product portfolio through select acquisitions, licensing arrangements and business partnerships that enhance, extend or expedite our development initiatives or our ability to increase our market share. During 2015, we completed several acquisitions of businesses that complement our anesthesia, surgical and vascular product portfolios, as well as our Asia segment.

Our research and development capabilities, commitment to engineering excellence and focus on low-cost manufacturing enable us to bring cost effective, innovative products to market that improve the safety, efficacy and quality of healthcare. Our research and development initiatives focus on developing these products for both existing and new therapeutic applications as well as enhancements to, and line extensions of, existing products. We introduced 20 new products and line extensions during 2015. Our portfolio of existing products and products under development consists primarily of Class I and Class II devices, which require 510(k) clearance by the United States Food and Drug Administration for sale in the United States. We believe that 510(k) clearance reduces our research and development costs and risks, and typically results in a shorter timetable for new product introductions as compared to the premarket approval, or PMA, process that would be required for Class III devices.

Effective April 1, 2015, we reorganized certain of our North American businesses to better leverage our resources. As a result, we realigned our operating segments. Specifically, our Anesthesia/Respiratory North America operating segment was divided into two operating segments, Anesthesia North America and Respiratory North America.

Additionally, the businesses comprising our former Specialty operating segment (which was not a reportable segment and, therefore, was included in the All other category in our presentation of segment information) were transferred to the Anesthesia North America, Vascular North America and Respiratory North America operating segments.

As a result of the operating segment changes described above, we have the following six reportable operating segments: Vascular North America, Anesthesia North America, Surgical North America, EMEA (Europe, Middle East and Africa), Asia and OEM. In connection with the presentation of segment information, we will continue to present in the All other category certain operating segments, which, effective April 1, 2015, include, among others, the Respiratory North America operating segment. See our Annual Report on Form 10-K for the year ended December 31, 2015 for further information regarding the reorganization.

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Our common stock is publicly traded on the New York Stock Exchange under the symbol TFX.

Teleflex Incorporated is a corporation organized under the laws of the State of Delaware. Our principal executive offices are located at 550 East Swedesford Road, Suite 400, Wayne, PA 19087, and our telephone number at this location is (610) 225-6800. Our website is www.teleflex.com. Information on our website is not part of this prospectus or any prospectus supplement.

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RISK FACTORS

Our business is subject to uncertainties and risks. Before deciding whether to purchase any of our securities, you should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus, including the risk factors incorporated by reference from our most recent annual report on Form 10-K, as updated by our quarterly reports on Form 10-Q and other filings we make with the SEC. Our business, financial condition, liquidity, results of operations or prospects could be materially adversely affected by any of these risks and could result in a partial or complete loss of your investment.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our historical ratios of earnings to fixed charges for the periods indicated. This information should be read in conjunction with the consolidated financial statements and the accompanying notes incorporated by reference in this prospectus. During the periods indicated, we had no outstanding shares of preference stock, and accordingly, our historical ratio of earnings to fixed charges is the same as our ratio of earnings to fixed charges and preference dividends in all periods.

Earnings available for fixed charges consist of pre-tax earnings from continuing operations before income or loss from equity investees, fixed charges, distributed earnings of equity investees and amortization of capitalized interest, reduced by non-controlling interest income or loss. Fixed charges consist of interest expense, amortization of debt discount and expenses and the portion of rental expense estimated to be the equivalent of interest.

	Year Ended December 31,					Three Months Ended March 27,
	2015	**2014**	**2013**	**2012**	**2011**	**2016**
Ratio of earnings to fixed charges	4.3	3.9	3.6	(1)	2.8	4.2

(1) Due to our loss from continuing operations before taxes for the year ended December 31, 2012, the ratio coverage was less than 1:1. We would have needed to generate additional earnings of $166.7 million to achieve a coverage of 1:1.

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USE OF PROCEEDS

Unless we otherwise state in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities for general corporate purposes. General corporate purposes may include repayment of debt, additions to working capital, capital expenditures, investments in our subsidiaries, possible acquisitions and the repurchase, redemption or retirement of securities, including shares of our common stock. The net proceeds may be temporarily invested or applied to repay short-term or revolving debt prior to use. In the case of a sale of our common stock or preference stock by any selling stockholders, we will not receive any of the proceeds from such a sale.

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DESCRIPTION OF DEBT SECURITIES

The following is a summary of the general terms of the debt securities. We will file a prospectus supplement that may contain additional terms when we issue debt securities. The terms presented here, together with the terms in a related prospectus supplement, will be a description of the material terms of the debt securities. You should also read the indenture between us and Wells Fargo Bank, National Association, as trustee under which the debt securities will be issued. We have filed the indenture governing debt securities with the SEC as an exhibit to the registration statement of which this prospectus is a part. All capitalized terms have the meanings specified in the indenture.

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior debt, our senior subordinated debt or our subordinated debt. We refer to the subordinated debt securities and the senior subordinated debt securities together as the subordinated securities. Debt securities, whether senior, senior subordinated or subordinated, may be issued as convertible debt securities or exchangeable debt securities. The following is a summary of the material provisions of the indenture filed as an exhibit to the registration statement of which this prospectus is a part. For each series of debt securities, the applicable prospectus supplement for the series may change and supplement the summary below.

General Terms of the Indenture

The indenture does not limit the amount of debt securities that we may issue. It provides that we may issue debt securities up to the principal amount that we may authorize and may be in any currency or currency unit that we may designate. Except for the limitations on consolidation, merger and sale of all or substantially all of our assets contained in the indenture, the terms of the indenture do not contain any covenants or other provisions designed to give holders of any debt securities protection against changes in our operations, financial condition or transactions involving us.

We may issue the debt securities issued under the indenture as discount securities, which means they may be sold at a discount below their stated principal amount. These debt securities, as well as other debt securities that are not issued at a discount, may be issued with original issue discount, or OID, for U.S. federal income tax purposes because of interest payment and other characteristics or terms of the debt securities. Certain U.S. federal income tax considerations applicable to debt securities issued with OID will be described in more detail in any applicable prospectus supplement.

The applicable prospectus supplement for a series of debt securities that we issue will describe, among other things, the following terms of the offered debt securities:

- the title of the series of debt securities;
- the price or prices (expressed as a percentage of the principal amount) at which we will sell the debt securities;
- whether the debt securities will be guaranteed and the terms of any such guarantees;

any limit on the aggregate principal amount of the series of debt securities;

whether the debt securities rank as senior debt, senior subordinated debt or subordinated debt or any combination thereof, and the terms of any subordination;

the terms and conditions, if any, upon which the series of debt securities will be convertible into or exchangeable for other securities;

whether securities issued by us will be secured or unsecured, and if secured, what the collateral will consist of;

the maturity date(s);

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the rate or rates (which may be fixed or variable) per annum or the method used to determine the rate or rates (including any currency exchange rate, commodity, commodity index, stock exchange index or financial index) at which the debt securities will bear interest, the date or dates from which interest will accrue or the method for determining dates from which interest will accrue, the date or dates on which interest will commence and be payable and any regular record date for the interest payable on any interest payment date;

the manner in which the amounts of payment of principal of, premium, if any, or interest, if any, on the series of debt securities will be determined (if such amounts may be determined by reference to an index based on a currency or currencies or by reference to a currency exchange rate, commodity, commodity index, stock exchange index or financial index);

the place or places where principal of, premium, if any, and interest, if any, on the debt securities will be payable and the method of such payment, if by wire transfer, mail or other means;

provisions related to redemption or early repayment of the debt securities of our option;

our obligation, if any, to redeem or purchase any series of debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which such debt securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

the authorized denominations;

the form of the debt securities and whether the debt securities will be issued in bearer or fully registered form (and if in fully registered form, whether the debt securities will be issuable, in whole or in part, as global debt securities);

any depositaries, interest rate calculation agents, bid solicitation agents, conversion or exchange agents, exchange rate calculation agents or other agents with respect to the debt securities;

any changes in the trustee for such debt securities;

the portion of principal amount of the debt securities payable upon declaration of acceleration of the maturity date, if other than the principal amount;

any changes in or additions to the covenants applicable to the particular debt securities being issued, including, among others, the consolidation, merger or sale covenant;

additions to or changes in the Events of Default with respect to the securities and any change in the right of the trustee or the holders to declare the principal, premium, if any, and interest, if any, with respect to such securities to be due and payable;

the currency of denomination of the debt securities;

the designation of the currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, such securities will be payable;

if payments of principal of, premium, if any, or interest, if any, on the debt securities will be made in one or more currencies or currency units other than that or those in which the debt securities are denominated, the manner in which the exchange rate with respect to these payments will be determined;

the securities exchange(s) on which the debt securities will be listed, if any;

whether any underwriter(s) will act as market maker(s) for the debt securities;

the extent to which a secondary market for the debt securities is expected to develop;

NITCHES, INC. AND SUBSIDIARIES
Notes to the Unaudited Condensed Consolidated Financial Statements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will be effective for the fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position, cash flows, and results of operations.

In December 2006, the FASB issued FASB Staff Position (FSP) EITF 00-19-2 *Accounting for Registration Payment Arrangements* (FSP EITF 00-19-2) which specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. Adoption of FSP EITF 00-19-02 is required for fiscal years beginning after December 15, 2006. The adoption of FSP EITF 00-19-2 did not have a material impact on the Companys consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurement (SFAS 157). This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2008. We have not yet determined the impact that the implementation of SFAS 157 will have on our results of operations or financial condition.

14. Subsequent Events:

On December 31, 2007, Nitches, Inc., entered into a License Agreement with Paula Deen Enterprises, LLC, for the exclusive right to produce certain home décor products for sale under the Paula Deen® brand. Pursuant to the terms of the Agreement, on December 31, 2007, we issued and delivered to Paula Deen Enterprises, LLC a warrant to purchase up to 150,000 shares of our common stock, a purchase price of $1.67 per share, or an aggregate purchase price of $330,000, subject to adjustment, including broad-based anti-dilution protection. The warrant has a term of seven years. We have also agreed to file a registration statement with the SEC covering the resale of the shares of common stock underlying the warrant. The issuance of the warrant and the common stock to be issued upon exercise of the warrant is exempt from the registration requirements under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. The offering was not conducted in connection with a public offering.

On January 4, 2008, our board of directors appointed Mr. Paul M. Wyandt to serve as our Chief Financial Officer and appointed Mr. Eitan Haber to serve as our Senior Vice President and Chief Operating Officer. In taking over the Chief Financial Officer role, Paul Wyandt succeeds Steven P. Wyandt who will continue to serve as our Chairman and Chief Executive Officer. Paul Wyandt has been President since 2001 and served as Chief Operating Officer from 2001 until January 4, 2008. Mr. Haber, who succeeds Paul Wyandt in the role of Chief Operating Officer, has served our Designer Intimates subsidiary and its predecessor in the areas of sourcing and operations since 1986.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Cautionary Statement under the Private Securities Litigation Reform Act of 1995

Statements in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as oral statements that may be made us or by our officers, directors or employees acting on our behalf, that are not historical fact constitute "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 (the "Exchange Act"). Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from forecasted results. See "Forward Looking Information and Factors that May Affect Future Results," below.

Overview

We are a wholesale importer and distributor of clothing and home décor products manufactured to our specifications and distributed in the United States under our brand labels and retailer-owned private labels. We distribute clothing primarily in three categories: women's sleepwear and loungewear, women's sportswear and outerwear, and men's casual wear and performance apparel. We market women's sleepwear and loungewear under the following brands: Princesse tam tam®, Derek Rose®, Crabtree & Evelyn®, Disney Couture®, The Anne Lewin® Collection, The Claire Murray® Collection and Gossard®. We market women's sportswear and outerwear under the following brands: Adobe Rose®, Country Tease®, Saguaro® and Southwest Canyon®. We market men's casual wear and performance apparel under the following brands: Nat Nast®, Newport Blue®, Dockers®, The Skins Game®, and ZOIC®. We distribute home décor products under the Bill Blass® and Newport Blue® brands. We sell our branded products to better department stores, specialty boutiques, moderate department stores, and national and regional discount department stores and chains. We also develop and manufacture private label products for many leading retailers and catalogs.

Critical Accounting Policies

Revenue Recognition. We recognize revenue at the time products are shipped based on its terms of F.O.B. shipping point, where risk of loss and title transfers to the buyer at time of shipment. We record sales in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition. Under these guidelines, revenue is recognized when all of the following exist: persuasive evidence of a sale arrangement exists, delivery of the product has occurred, the price is fixed or determinable and payment is reasonably assured. Provisions are made currently for estimated product returns and sales allowances.

Allowances for Sales Returns, Doubtful Accounts and Other. Sales are recorded net of estimated future returns, uncollectible accounts receivable and other customer related allowances. Our management analyzes historical returns and bad debt expense, current economic trends, changes in customer demand and sell-through of our products when evaluating the adequacy of these allowances. In addition, we may provide warehousing credits and other allowances to certain customers in accordance with industry practice. These amounts are determined based on historical experience, budgeted customer allowances and existing commitments to customers. Although our management believes it has established adequate reserves with respect to these items, actual activity could vary from management's estimates and such variances could have a material impact on reported results. At November 30, 2007, trade accounts receivable balance was $20.3 million, net of allowances of $1.9 million, as compared to the balance of $12.3 million, net of allowances of $878,000, at August 31, 2007.

Inventory. We mark down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based on assumptions about age of the inventory, future demand and market conditions. This process provides for a new basis for the inventory until it is sold. If actual market conditions are less favorable than those projected by management, additional inventory markdowns may be required. Our inventory balance was $9.9 million, net of inventory markdowns of $561,000, at November 30, 2007, as compared to an inventory balance of $14.1 million, net of inventory markdowns of $548,000, at August 31, 2007.

Deferred Taxes. Deferred taxes are determined based on differences between the financial statement and tax bases of assets and liabilities, as well as the future benefit of any net operating loss carry forward, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, our management considers estimates of future taxable income and ongoing prudent and feasible tax planning strategies.

Valuation of Goodwill, Long-Lived Assets and Intangible Assets. We evaluate goodwill, long-lived assets and intangible assets for potential impairment on an annual basis during our fourth fiscal quarter, subsequent to the completion of financial projections for the following fiscal year. We may make an evaluation between annual tests in certain circumstances such as a significant change in business climate, unanticipated competition, loss of key personnel, or adverse action or assessment by a regulator such as import quotas or duties. Any of these circumstances could cause us to conclude that impairment exists and that the net book value of goodwill, long-lived assets and/or intangible assets is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Contingencies and Litigation. Our management evaluates contingent liabilities including threatened or pending litigation in accordance with SFAS No. 5, "Accounting for Contingencies" and records accruals when the outcome of these matters is deemed probable and the liability could be reasonably estimated.

Results of Operations

Quarter Ended November 30, 2007 Compared to the Quarter Ended November 30, 2006

Net sales for the quarter ended November 30, 2007 were $33.1 million, a decrease of $2.3 million or 6.5% as compared to sales of $35.4 million in the quarter ended November 30, 2006. This decrease was attributable primarily to a reduction in orders from a significant customer for menswear product, offset partially by increased sales for our women□s sleepwear and private label apparel. The apparel business is seasonal, and our first fiscal quarter, extending from September to November has traditionally been our highest revenue quarter as retailers take delivery of orders for the holiday season. As a result, our revenues are likely to vary from quarter to quarter, and first quarter revenues are not indicative of the revenues we expect to achieve on an annualized basis.

Cost of goods sold for the quarter ended November 30, 2007 were $26.6 million compared to $26.8 for the same period a year ago. Cost of goods sold as a percent of net sales increased 4.5%, generating a lower gross profit margin of 19.7% for the quarter ended November 30, 2007, as compared to 24.0% for the year earlier period. The decrease in gross margin came as the result of increased private label sales and a high volume sale of branded product to a national retailer, both at a lower average gross margin. Our product mix constantly changes to reflect customer mix, fashion trends and changing seasons. Consequently, gross margin is likely to vary on a quarter-to-quarter basis and in comparison to gross margins generated in the same period of prior fiscal years.

Selling, general and administrative expenses for the quarter ended November 30, 2007 were $5.3 million, a decrease of $830,000 as compared to $6.1 million for the same period a year ago. The decrease was due primarily to the a reduction of sales commission expenses as well as the elimination of sales and design fees as a result of the acquisition of the Saguaro® assets which were acquired on October 24, 2006. Selling, general and administrative expenses for the period included $2.0 million of selling and merchandising expenses and $1.4 million of shipping and warehousing expenses. This compares with $2.8 million of selling and merchandising expenses and $649,000 of shipping and warehousing expenses incurred during the quarter ended November 30, 2006.

Interest expense in the current period was $450,000, an increase of $150,000 as compared to $300,000 for the quarter ended November 30, 2006. This increase was due primarily to interest on the convertible debentures and related amortization charges that are also charged to interest expense.

Liquidity and Capital Resources

Net cash used by operating activities for the three month period ended November 30, 2007 was approximately $7.3 million. Cash used by operating activities during the period was primarily the result of an increase in amounts due from the factor and a decrease in accounts payable and accrued expenses, offset partially by a decrease in inventory. For the prior period cash used by operating activities was approximately $9.5 million. Likewise cash used by operating activities during the period was primarily the result of an increase in amounts due from the factor and a decrease in accounts payable, offset partially by a decrease in inventory.

For the quarter ended November 30, 2007 net cash used by investing activities of $54,000 consisted entirely of capital expenditures. For the prior year net cash used by investing activities of $317,000 included cash used in the Saguaro acquisition.

Cash provided by financing activities of $7.5 million for the quarter ended November 30, 2007 consisted exclusively of advances from the factor. Cash provided by financing activities in the prior period of $10.3 million included advances from the factor offset by partial repayment of a note payable.

Working capital at November 30, 2007 was $7.9 million, an increase of $700,000 from $7.2 million at August 31, 2007. This increase resulted primarily from an increase in accounts receivable in line with our increased sales volume for the current period, partially offset by a reduction in inventories and an increase an advances due to the factor. Our current ratio decreased slightly to 1.31:1 at November 30, 2007 from 1.33:1 at August 31, 2007.

Our principal source of liquidity, other than cash flows from operations, comes from our financing arrangement with CIT. That financing arrangement is established on a borrowing base that is determined by our levels of trade receivables and inventory.

We sell substantially all of our trade receivables to CIT on a pre-approved, non-recourse basis. We attempt to make any recourse shipments on a cash-on-delivery basis or ensure that the customers' payments are backed by a commercial or standby letter of credit issued by the customers' bank. The amount of our receivables that were non-recourse at November 30, 2007 was $21.9 million. The amount of our receivables that were recourse and were not made on a COD basis or supported by commercial or standby letters of credit at November 30, 2007 was approximately $761,000, of which approximately $132,000 had been collected through December 31, 2007.

Payment for non-recourse factored receivables is made at the time customers make payment to CIT or, if a customer is financially unable to make payment, within approximately 180 days of the invoice due date. Under the factoring agreement, we can request advances in anticipation of customer collections at the prime rate (currently 6.5%) less one and one-half percent (1.5%). The amount of advances available to us is limited to eighty-five percent (85%) of non-recourse factored receivables and fifty percent (50%) of eligible finished goods inventory.

We may issue import letters of credit through CIT for the purchase of inventory in the normal course of our operations. Letters of credit are subject to a $12.0 million aggregate limit. At November 30, 2007, we had outstanding letters of credit of approximately $3.4 million for the purchase of finished goods, which had been opened through CIT.

The factoring agreement does not contain any financial covenants to which we must adhere. Advances are collateralized by all of our assets as well as a personal guaranty of our chairman, who also serves as our chief executive officer. CIT can terminate the factoring agreement on 30-days written notice. We believe the factoring agreement with CIT, along with our expected cash flow from operating activities and our current levels of working capital are adequate to fulfill our liquidity needs for the foreseeable future.

Contractual Obligations and Commercial Commitments

As of November 30, 2007, we had no off-balance sheet arrangements. The following summarizes our contractual obligations at November 30, 2007 and the effect those obligations are expected to have on our liquidity and cash flow in future periods:

	Payments due/Commitments expiring per period				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
Operating leases	$ 7,194,000	$ 1,207,000	$ 1,841,000	$ 1,713,000	$ 2,433,000
Letters of credit	3,421,000	3,421,000			
Employment agreement	650,000	195,000	390,000	65,000	
Convertible Debentures	3,150,000		3,150,000		
Total obligations and commitments	$ 14,415,000	$ 4,823,000	$ 5,381,000	$ 1,778,000	$ 2,433,000

Inventory

Our inventory decreased 29.7% to $9.9 million at November 30, 2007, from $14.1 million at August 31, 2007. Compared to inventories of $7.4 million at November 30, 2006 current period ending inventory increased 33.9% in line with increased order backlog for the second quarter of fiscal 2008 as compared to the second quarter of fiscal 2007. We believe that our current inventory mix and unit levels are appropriate to respond to anticipated market demand.

In our ordinary course of operations, we generally make some sales below normal selling prices or below cost. Based on prior experience, our management believes this will be true for some inventory held on or acquired after November 30, 2007. The amount of such sales depends on several factors, including general economic conditions, market conditions within the apparel industry, the desirability of the styles held in inventory and competitive pressures from other garment suppliers.

We have established an inventory markdown reserve as of November 30, 2007, which our management believes will be sufficient for current inventory that is expected to sell below cost in the future. There can be no assurance that we will realize our expected selling prices, or that the inventory markdown reserve will be adequate, for items in inventory as of November 30, 2007 for which customer sales orders have not yet been received. The inventory markdown reserve is calculated based on specific identification of aged goods and styles that are slow-moving or selling off-price.

Backlog

As of November 30, 2007, we had on-hand unfilled customer orders of $35.7 million as compared to $26.4 million at November 30, 2006, with such orders generally scheduled for delivery by May 2007 and 2006, respectively. The increase in backlog is due to growth in orders across product lines, most significantly for men's sportswear and for home décor products in conjunction with the recently announced Paula Deen® license.

Backlog amounts include both confirmed and unconfirmed orders that we believe, based on industry practice and past experience, will be confirmed. While cancellations, rejections and returns have generally not been material in the past, there can be no assurance that cancellations, rejections and returns will not reduce the amount of sales realized from the backlog of orders at November 30, 2007. Because of our reliance upon a few major accounts, any deteriorating financial performance by one or more of these customers could lead to the cancellation of existing orders and/or an inability to secure future orders, which would have a material adverse financial effect on us.

Impact of Exchange Rates

While we purchase over 98% of our products from foreign manufacturers, all of our purchases are denominated in United States dollars. Because our products are sold primarily in the United States, in United States dollar denominated transactions, we do not engage in hedging or other arbitrage to reduce currency risk. An increase in the value of the United States dollar versus foreign currencies could enhance our purchasing power for new purchase orders and reduce our cost of goods sold. Conversely, a decrease in the value of the United States dollar relative to foreign currencies could result in an increase in both our cost of manufacturing for new purchase orders and costs of goods sold.

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Impact of Inflation and Deflation

Our management does not believe that inflation has had any material impact upon our revenues or income from operations in the current period. Our management believes that the apparel sector in which we operate has been in a period of deflation, contrary to the modest inflation experienced in the economy in general. The persistence of the consumer to buy "on sale" merchandise has put pressure on retail gross margins, which in turn has led to downward pressure from retailers on wholesale gross margins, in the form of selling cost adjustments taken as deductions against invoices issued by us. In the apparel industry, these are commonly referred to as markdown allowances or chargebacks. Without a corresponding decrease in fabric and labor prices, these markdown allowances have led to a decline in wholesale gross margins. Our management believes these modest deflationary pressures will persist into the foreseeable future.

Future Operating Results

Business conditions in the apparel sector continue to be characterized by limited consumer demand and persistent discounting of merchandise by retailers. The propensity of consumers to seek "on sale" merchandise has sustained the use of significant discounting by most retailers to stimulate sales. In general, retailers have to sell more units in order to achieve sales equal to last year. We do not expect significant improvement in business conditions in the apparel sector in which we operate. Furthermore, we expect to incur significant expense related to internal controls documentation, testing and remediation requirements as mandated by Sarbanes-Oxley legislation with which we must be in compliance by August 31, 2008. In view of the market uncertainties and economic pressures facing us, our management remains conservative in its approach to the remainder of fiscal 2008 and planning for fiscal 2009.

Forward Looking Information and Factors that May Affect Future Results

Our disclosure and analysis in this report contains forward-looking information about our financial results and estimates, business prospects that involve substantial risks and uncertainties. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance, new products and product categories, the outcome of contingencies, such as legal proceedings, and financial results. Among the factors that could cause actual results to differ materially are the following:

- our ability to:

- achieve solid, sustainable revenue growth;
- maintain and enhance our product line;
- successfully introduce new products and product categories;

- successfully integrate acquisitions, including the acquisition of Designer Intimates, Inc., the home décor product line of Taresha LLC and the Saguaro® mark and related trademarks from Impex Inc.;
- cost effectively acquire and retain customers;
- compete against existing and new competitors;
- manage expenses associated with necessary general and administrative investments;
- cost efficiently manage inventories; and
- grow our revenues and leverage our operating infrastructure to enhance profitability;

- general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of our products; and
- competition from existing and potential new competitors, including pricing pressures and other competitive forces.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-Q, 8-K and 10-K reports filed with the SEC. Our Annual Report on Form 10-K filing for the fiscal year ended August 31, 2007 listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I, Item 1A, of that filing under the heading "Risk Factors." We incorporate that section of that Form 10-K in this filing and investors should refer to it. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the potential impact to our financial position, results of operations or cash flows due to adverse changes in the financial markets. We are exposed to market risk from changes in the base interest rate of our variable rate debt. As of November 30, 2007, a one percent change in interest rates would increase or decrease our annual interest expense by approximately $111,000. There has been no material changes in market risk exposures from those disclosed in our Annual Report on Form 10-K for the year ended August 31, 2007.

ITEM 4. Controls and Procedures

(a) *Disclosure Controls and Procedures.* Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act 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 our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is based in part upon a cost-benefit analysis and certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. While our management does not believe that our controls will prevent all errors or all instances of fraud, our disclosure controls and procedures are designed to provide a reasonable assurance of achieving their objectives.

As required by Exchange Act Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of November 30, 2007, the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that certain control deficiencies as described below existed in our internal control over financial reporting as of November 30, 2007. As a result of these deficiencies our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of November 30, 2007

In connection with its audit of the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2007, J.H. Cohn advised the Company's management and the audit committee of the board of directors of the Company that the Company did not have the internal controls necessary to timely prepare and file reliable financial statements. We initiated, but did not complete steps to remedy this deficiency by the period ended November 30, 2007.

At that time we lacked sufficient experienced senior accounting staff to enable us to timely process, summarize and report financial information. Our lack of sufficient staff has resulted in our late filing of our Annual Report on Form 10-K for the fiscal year ended August 31, 2007 and an extension of time for us to file this Quarterly Report on Form 10-Q. As discussed below, we have since reorganized some of our financial management, retained new independent auditors, hired an interim controller and are in the process of recruiting additional senior accounting personnel.

While our lack of accounting personnel has affected the timeliness of our processing information, we have completed our internal control procedures. Accordingly, our management has concluded that the financial statements included in this report fairly present in all material respects our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

(b) *Changes in Internal Controls over Financial Reporting*. We made changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter, and subsequent to that period, that has materially affected, or is likely to materially affect, our internal control over financial reporting. At the beginning of the quarter we had retained a consultant to act as our controller. That consultant was dismissed in October 2007.

Subsequent to the fiscal quarter ended November 30, 2007, we have taken the following actions each of which are expected to have a material impact on our internal controls over financial reporting:

- *Change in Financial Management*. Subsequent to the end of the period, in January 2008, Paul M. Wyandt was appointed Chief Financial Officer of the Company, succeeding Stephen P. Wyandt who remains Chairman and Chief Executive Officer. We also appointed Eitan Haber Chief Operating Officer of the Company, who succeeds Paul M. Wyandt in that role.
- *Change in Independent Auditor*. We dismissed J.H. Cohn LLP ("J.H. Cohn") as our independent registered public accounting firm effective December 31, 2007, and engaged Squar, Milner, Peterson, Miranda & Williamson, LLP ("Squar Milner") as our independent registered public accounting firm that same date. J.H. Cohn had acted as our independent registered public accounting firm since May 3, 2007. The report of J.H. Cohn on the financial statements of the Company as of and for the fiscal year ended August 31, 2007, did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. During our fiscal year ended August 31, 2007 and subsequent interim period preceding the dismissal of J.H. Cohn, there were no disagreements between us and J.H. Cohn on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of J.H. Cohn, would have caused J.H. Cohn to make reference to the subject matter of the disagreements in connection with its audit report on the Company's financial statements. The decision to change firms was approved by the audit committee of our board of directors.
- *Recruitment of Additional Senior Accounting Staff*. As of January 2, 2008 we retained a consultant to serve as interim controller. During fiscal 2008 we expect to retain one or more additional senior accounting personnel with the intention of increasing both the number of personnel devoted to our internal controls process and the level of experience of our accounting team in dealing with relevant accounting issues.

PART II - OTHER INFORMATION

ITEM 1. - Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not a party to any such litigation which we believe would have a material adverse effect on us.

ITEM 1A. Risk Factors

See our discussion of risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2007.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

See the Exhibit Index immediately following the Signature Page to this report.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

		NITCHES, INC. (Registrant)
January 24 , 2008	By:	/s/ Paul M. Wyandt Paul M. Wyandt As Principal Financial Officer and on behalf of the Registrant

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, by Chief Executive Officer
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, by Chief Financial Officer
32.1	Certification pursuant to 18 U.S.C. §1350 by Chief Executive Officer
32.1	Certification pursuant to 18 U.S.C. §1350 by Chief Financial Officer