As filed with the Securities and Exchange Commission on March 13, 1985

Registration No. 2-96148

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Crazy Eddie, Inc.

(Exact name of registrant as specified in its charter)

Delaware	5732	11-2667288
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2845 Coney Island Avenue
Brooklyn, New York 11235
(718) 934-0100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

SOLOMON E. ANTAR, ESQ., GENERAL COUNSEL
Crazy Eddie, Inc.
2845 Coney Island Avenue
Brooklyn, New York 11235
(718) 934-0100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

JAMES L. PURCELL, ESQ.
Paul, Weiss, Rifkind,
Wharton & Garrison
345 Park Avenue
New York, New York 10154
(212) 644-8000

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Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
(212) 701-3000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, par value $.01 per share	1,350,000 Shares(2)	$21	$28,350,000	$5,670(3)

(1) The last reported sale price of the Common Stock on March 12, 1985 ($21), used for the purpose of calculating the registration fee pursuant to Rule 457(b).
(2) Includes 150,000 shares of Common Stock subject to an over-allotment option granted to the Underwriters.
(3) Of such amount, $4,600 was paid in connection with the initial filing of the Registration Statement on March 1, 1985.

CRAZY EDDIE, INC.

CROSS REFERENCE SHEET

Registration Statement Item and Heading	Caption in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover and Outside Back Cover Pages
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; Investment Considerations; The Company
4. Use of Proceeds	Use of Proceeds
5. Determination of Offering Price	Outside Front Cover Page; Underwriting
6. Dilution	Not Applicable
7. Selling Security Holders	Principal and Selling Stockholders
8. Plan of Distribution	Outside Front Cover Page; Business; Underwriting
9. Description of the Securities to Be Registered	Description of Capital Stock; Dividends
10. Interests of Named Experts and Counsel	Not Applicable
11. Information with Respect to the Registrant	Prospectus Summary; The Company; Investment Considerations; Dividends; Capitalization; Price Range of Common Stock; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Principal and Selling Stockholders; Description of Capital Stock; Shares Eligible for Future Sale; Consolidated Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

PROSPECTUS

1,200,000 Shares

CRAZY EDDIE® INC.



Common Stock

Of the 1,200,000 shares of Common Stock offered hereby, the Underwriters are acquiring 200,000 shares from the Company and 1,000,000 shares from the Selling Stockholders. See "Principal and Selling Stockholders." On March 12, 1985, the last sale price for the Common Stock on the NASDAQ National Market System, as reported by NASDAQ (symbol: CRZY), was $21. See "Price Range of Common Stock."

FOR A DISCUSSION OF MATERIAL RISKS IN CONNECTION WITH THE PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS, SEE "INVESTMENT CONSIDERATIONS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Stockholders(2)
Per Share	$21.00	$1.20	$19.80	$19.80
Total (3)	$25,200,000	$1,440,000	$3,960,000	$19,800,000

(1) See "Underwriting" for information concerning indemnification of the Underwriters.

(2) Before deduction of expenses payable by the Company and the Selling Stockholders, estimated at $53,175 and $186,825, respectively.

(3) One of the Selling Stockholders has granted the Underwriters the option, exercisable within 30 days of the date hereof, to purchase up to 150,000 additional shares at the Price to Public less Underwriting Discounts and Commissions for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Selling Stockholders will be $28,350,000, $1,620,000 and $22,770,000, respectively. See "Underwriting."

The shares are offered by the several Underwriters when, as and if delivered to and accepted by the Underwriters, subject to their right to reject orders in whole or in part. It is expected that delivery of the shares will be made against payment on or about March 20, 1985, at the office of Oppenheimer & Co., Inc., One New York Plaza, New York, New York 10004.

Oppenheimer & Co., Inc.

March 13, 1985

AVAILABLE INFORMATION

Crazy Eddie, Inc. (the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C.; Room 1204, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; Room 1100, Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York; and Suite 500 East, 5757 Wilshire Boulevard, Los Angeles, California; and copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

This Prospectus, which constitutes part of a Registration Statement filed by the Company with the Commission under the Securities Act of 1933, omits certain of the information contained in the Registration Statement. Reference is hereby made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the securities offered hereby. Statements contained herein concerning the provisions of documents filed herewith as exhibits are necessarily summaries of such documents, and each such statement is qualified in its entirety by reference to the copy of the applicable document filed with the Commission.

The Company intends to distribute to its stockholders annual reports containing audited financial statements and quarterly reports containing certain unaudited financial information for each of the first three quarters of each fiscal year.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following information is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere in this Prospectus.

THE COMPANY

The Company sells home entertainment and consumer electronic products through a chain of retail stores located in New York, New Jersey and Connecticut. All of the Company's stores are operated under the Crazy Eddie name, and are located in New York City or within the surrounding 50-mile radius.

The Company's marketing strategy is to promote the "Crazy Eddie" name more than particular brand name merchandise or specific prices by aggressively advertising, primarily on radio and television, the low prices, customer service and product selection available to customers at each Crazy Eddie store. The Company carries a broad range of products at each of its stores in order to provide customers with a wide selection of high quality, nationally recognized brand name merchandise.

Because of the purchasing power generated by the strong consumer recognition of the Crazy Eddie name in the Company's geographic market and by the sales volume of the Company's stores, the Company is able to purchase merchandise directly from manufacturers on terms that it believes to be more favorable, in many cases, than those offered to large retail department and specialty stores. The Company believes that its purchasing power enables it to offer such merchandise at prices generally below those offered by such other stores. All products sold in Crazy Eddie stores carry a 30-day price guaranty pursuant to which the store will refund the difference between its sale price and any lower price for the same product that is demonstrated by a customer to be available at any other store.

The Company's sales per square foot of selling area were $1,886 and $2,118 for the fiscal years ended May 31, 1983 and 1984, respectively, and were $956 and $1,024 for the six months ended November 30, 1983 and 1984, respectively. The Company believes, based on published industry data, that its sales per square foot rank among the highest in its industry.

The Company has expanded from three stores in 1975 to 15 stores at the date of this Prospectus. In addition, the Company has signed (or been assigned) leases for six stores that are expected to open during the remainder of 1985. A seventh new store that will be part of the Company's new headquarters facility in Edison, New Jersey also is expected to open in 1985. The Company's weighted average net sales per store have increased from $7,647,000 for the fiscal year ended May 31, 1980 to $10,634,000 for the fiscal year ended May 31, 1984, and were $5,234,000 for the six months ended November 30, 1984 as compared to $4,821,000 for the corresponding period of the prior year. Increases in sales are attributable primarily to increases in the volume of goods sold and, to a lesser extent, to the introduction of new products by manufacturers of video and other consumer electronic products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Inflation." The Company has opened eleven new stores (including one store that later closed and reopened at a nearby location) since May 31, 1978, and currently intends to continue to expand by opening three to six additional stores during each of the next five years. All of such stores are expected to be located within the Company's current geographic market in order to enable the Company to continue to take advantage of its "advertising umbrella" and other efficiencies and cost benefits that have been realized by the Company as a result of its geographic concentration of stores, such as the Company's ability to service all Crazy Eddie stores through central warehouse and repair facilities, to shift personnel among the stores as needed and to have its executives visit any store location on short notice.

THE OFFERING

Securities Offered By:	
The Company	200,000 shares of Common Stock
The Selling Stockholders(1)	1,000,000 shares of Common Stock
Common Stock to be Outstanding	6,900,000 shares
Use of Proceeds	For additional stores and working capital
NASDAQ Symbol	CRZY

(1) Does not include the Underwriters' over-allotment option to purchase from one of the Selling Stockholders up to an additional 150,000 shares. See "Underwriting."

SUMMARY CONSOLIDATED FINANCIAL DATA

(Dollars in thousands)

INCOME STATEMENT DATA(1):

	Year ended May 31,					Six months ended November 30,	
	1980	1981	1982	1983	1984	1983	1984
Net sales	$59,410	$78,246	$98,225	$111,406	$137,285	$58,209	$71,028
Income before pension contribution and income taxes	1,709	2,273	3,404	4,637	7,975	2,950	5,652
Net income	42	169	472	895	3,773	1,364	2,521
Earnings per share(2)	.01	.03	.09	.18	.75	.27	.44
STORE DATA:							
Number of stores at end of period	9	10	10	12	13	13	15
Weighted average net sales per store(3)	7,647	8,489	9,540	9,887	10,634	4,821	5,234

BALANCE SHEET DATA(1):

	November 30, 1984	
	Actual	As Adjusted(4)
Working capital	$15,454	$19,361
Total assets	51,685	55,592
Long-term debt(5)	109	109
Stockholders' equity	20,559	24,466

(1) All data included in this Prospectus gives effect to the reorganization described under "Certain Transactions—Reorganization" and Note 1 of Notes to Consolidated Financial Statements appearing elsewhere herein. Such reorganization was completed prior to the Company's initial public offering of Common Stock in September 1984. For the year ended May 31, 1984, no provision for pension expense has been made as described in Note 5 of Notes to Consolidated Financial Statements.

(2) Earnings per share were computed by dividing net income by the weighted average number of shares of outstanding Common Stock, after giving retroactive effect to the reorganization described under "Certain Transactions—Reorganization" and after giving effect to the issuance of 1,700,000 shares of Common Stock in September 1984 pursuant to the Company's initial public offering.

(3) Weighted average net sales per store represents net sales for the period divided by the number of stores open during the period weighted to account for stores open for only a portion of the period.

(4) Gives effect to the sale of 200,000 shares of Common Stock by the Company and the anticipated use of the net proceeds therefrom.

(5) Does not include a $7.8 million loan obtained by the Company on December 21, 1984 from the New Jersey Economic Development Authority, the proceeds of which will be used to finance the construction of the Company's new headquarters facility in Edison, New Jersey. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to maximum and minimum interest rates per annum of 14% and 7½%, respectively, and is repayable in varying installments through 2015. See "Business—New Facility."

INVESTMENT CONSIDERATIONS

In analyzing this offering, prospective investors should consider, among other factors, the following:

Guaranties and Indemnities. Prior to the consummation of the Company's initial public offering in September 1984, the Company transferred to C.E. Holdings, Inc. ("Newco"), a subsidiary of the Company, $500,000 in cash and the Company's interest in an oil and gas partnership known as White Rim Oil and Gas Associates, 1980-II. The Company then transferred the stock of Newco to Eddie Antar, the Chairman of the Board, President and Chief Executive Officer of the Company, and Sam Antar, the Executive Vice President and a director of the Company. In turn Newco (i) assumed the Company's obligation to make payment of a note in the principal amount of $1,125,000 which is payable in installments during the period from 1992 through 1995 and secured the Company's release from all liability on such note, and (ii) indemnified the Company against any tax liabilities that might be assessed against the Company if there were to be any disallowance on audit of the $1,351,000 of tax deductions previously taken by the Company with respect to such oil and gas partnership. Eddie Antar and Sam Antar have guaranteed the performance of the obligation of Newco to indemnify the Company against any such tax liabilities. The Company has been advised that such partnership is currently under audit and, in the event that any tax deductions previously taken by the Company with respect to its investment are disallowed on audit, the Company believes that the maximum tax liability resulting from such disallowance would be approximately $550,000, plus interest. In addition, except as described in Note 1 of Notes to Consolidated Financial Statements, Eddie Antar and Sam Antar have indemnified the Company with respect to any liabilities that may arise in connection with another oil and gas investment transferred to them prior to the Company's initial public offering. See "Certain Transactions—Reorganization."

The assets of Eddie Antar and Sam Antar are now, and upon the consummation of this offering are expected to be, adequate, in the Company's judgment, to enable them to fulfill their obligations under the foregoing guaranties and indemnities.

Principal Stockholders and Control of the Company. Upon completion of this offering, Eddie Antar and members of his family will own approximately 49% (approximately 47% if the Underwriters' over-allotment option is exercised in full) of the outstanding Common Stock. Consequently, Eddie Antar and his family will continue to control the Company, will be able to elect all of the directors of the Company and could approve certain corporate transactions, such as a going private merger, without the concurrence of minority stockholders. See "Description of Capital Stock—Common Stock."

Management of the Company. The development of the Company's business has been dependent to a large extent upon Eddie Antar, age 37, its Chairman of the Board, President and Chief Executive Officer and a principal stockholder. The Company believes that it has developed an experienced management group; however, no assurance can be given that the Company's operations would remain unaffected if, for any reason, Eddie Antar does not continue to be active in the Company's management. The Company owns and is the beneficiary of life insurance policies on the life of Eddie Antar in the amount of $6,000,000, and has entered into an employment agreement with Eddie Antar. See "Management" and "Principal and Selling Stockholders."

The Company is seeking to engage a new Chief Financial Officer whom the Company believes is required by the increased size of the Company, the increasing number of stores intended to be operated by the Company and the accounting and reporting responsibilities which have resulted from the change in its status from a privately-owned to a publicly-owned corporation. The Company has retained a nationally recognized executive search firm specializing in the retail industry to assist it in finding an appropriate person for such position.

Changes in Control. Although the Company has entered into an employment agreement with Eddie Antar, in the event of a change in control of the Company, Mr. Antar may terminate his term of full-time employment and, except in certain circumstances, continue to receive his annual compensation and other benefits provided for in such agreement. In addition, the authorized capital stock of the Company includes 5,000,000 shares of preferred stock which may be issued without stockholder action upon authorization by the Board of Directors. The existence of the provision in Mr. Antar's

employment agreement referred to above and of such authorized preferred stock could discourage attempts by other stockholders to acquire control of the Company and make more difficult the removal of the Company's management. See "Management—Employment Agreements" and "Description of Capital Stock—Preferred Stock."

Seasonality. Historically, the Company has realized greater sales during its third quarter, due to the Christmas season. However, the Company's marketing strategy and, in particular, its steady use of radio and television advertising is intended to minimize the seasonality of the Company's sales. See "Business—Seasonality."

Relocation of Corporate Headquarters. The Company expects to relocate its corporate headquarters from Brooklyn, New York to Edison, New Jersey during the summer of 1985. The Company does not expect such relocation to result in any material increase in its cost of operations or an interruption of the Company's normal business operations and procedures. Such expectation is based in part upon the Company's belief (formed after consultation with a real estate broker doing business in the community where the new headquarters will be located) that the Company should be able to lease approximately one-half of the headquarters building's gross area to third parties (including Benel Distributors, Ltd., a corporation wholly-owned by Eddie Antar's brother-in-law that sells pre-recorded audio and video cassettes and records in each Crazy Eddie store) at a rental ranging from $3.25 to $4.00 per square foot per annum. Although construction of the new headquarters facility commenced earlier this year and is being financed primarily with the proceeds of a $7,800,000 economic development bond issue completed in December 1984, there can be no assurance that such relocation will be completed or, if completed, that it will be completed at the expected costs, that excess space could be profitably rented, or that such relocation will not have any impact on the Company's business. See "Business—New Facility."

Competition. The retail home entertainment and consumer electronics business is, and can be expected to remain, highly competitive. Many of the stores with which the Company competes are national in scope and have greater financial resources than the Company. Because of its purchasing power, the Company has been able to purchase high quality, nationally recognized brand name merchandise directly from manufacturers on terms that it believes to be more favorable, in many cases, than those generally offered to large retail department and specialty stores. Although the Company has maintained good long-term business relationships with a number of manufacturers and believes that the improved capital base that resulted from its initial public offering has enhanced its relationships with many such manufacturers, there can be no assurance that the Company will be able to continue to purchase merchandise on terms that will enable it to offer such merchandise to customers at favorable prices. See "Business—Competition."

Future Store Sites. The Company believes that its future growth will be dependent, to a large extent, on its ability to locate appropriate sites for, and to establish, new stores. There can be no assurance that the Company will be able to obtain the sites it desires to open new stores, or that sites for future stores will be available to the Company under leases having terms as favorable as those applicable to the Company's current stores. See "Business—Planned Expansion."

Shares Eligible for Future Sale. Upon completion of this offering, the Selling Stockholders and the other stockholders of the Company who acquired their shares prior to the Company's initial public offering of Common Stock in September 1984 will own 3,372,500 shares (3,222,500 shares if the Underwriters' over-allotment option is exercised in full) of Common Stock acquired prior to such offering, and they will continue to be able to sell such shares in the public market pursuant to Rule 144. The Selling Stockholders have agreed not to sell any of the shares they own or control until at least 180 days after the date of this Prospectus without the written consent of the Representative of the Underwriters. Sales of substantial amounts of Common Stock on the public market could adversely affect the market price of the Common Stock. See "Shares Eligible for Future Sale."

THE COMPANY

The Company sells home entertainment and consumer electronic products through a chain of retail stores consisting of 15 stores at the date of this Prospectus. Of such stores, nine are located in New York (including five stores in New York City), five are in New Jersey and one is in Connecticut. Each of the Company's stores is operated under the Crazy Eddie name. The Company's sales per square foot of selling area were $1,886 and $2,118 for the fiscal years ended May 31, 1983 and 1984, respectively, and were $956 and $1,024 for the six months ended November 30, 1983 and 1984, respectively. The Company believes, based on published industry data, that its sales per square foot rank among the highest in its industry. See "Business—Properties."

The Company believes that the "Crazy Eddie" name has achieved strong consumer recognition in the Company's geographic market, and has adopted a marketing strategy that seeks to promote the Crazy Eddie name more than particular brand name merchandise or specific prices. The Company has sought to implement this strategy by aggressively advertising, primarily on radio and television, the low prices, customer service and product selection available to customers at each Crazy Eddie store.

The Company carries a broad range of products at each of its stores in order to provide customers with a wide selection of high quality, nationally recognized brand name merchandise, including products from Panasonic, General Electric, Sony, Hitachi, Toshiba and Fisher. Because of the purchasing power generated by the strong consumer recognition of the Crazy Eddie name in the Company's geographic market and by the sales volume of the Company's stores, the Company has been able to purchase such merchandise directly from manufacturers on terms that it believes to be more favorable, in many cases, than those offered to large retail department and specialty stores. The Company believes that its purchasing power enables it to offer such merchandise at prices generally below those offered by such other stores.

The Company has pursued a policy of growth through opening new stores and increasing sales volume from existing stores. The number of stores has increased from three in 1975, when the predecessor of the Company was formed, to 15 stores at the date of this Prospectus. Average monthly sales per store were $820,000 and $891,000 for the fiscal years ended May 31, 1983 and 1984, respectively, and were $804,000 and $872,000 for the six months ended November 30, 1983 and 1984, respectively. Increases in sales are attributable primarily to increases in the volume of goods sold and, to a lesser extent, to the introduction of new products by manufacturers of video and other consumer electronic products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Inflation."

All Crazy Eddie stores are located within approximately 70 miles of the Company's corporate headquarters. The Company believes that it has become a leading home entertainment and consumer electronics retailer in the geographic area in which it operates, and its current expansion objective is to focus on such geographic market in order to continue to take advantage of the Company's "advertising umbrella" and other efficiencies and cost benefits that have been realized by the Company as a result of its geographic concentration of stores, such as the Company's ability to service all Crazy Eddie stores through central warehouse and repair facilities, to shift personnel among the stores as needed and to have its executives visit any store location on short notice. The Company has opened eleven new stores (including one store that later closed and reopened at a nearby location) since May 31, 1978, and currently intends to continue to expand by opening three to six additional stores during each of the next five years. The Company also has signed (or been assigned) leases for six stores that are expected to open during the remainder of 1985, and during the year expects to open a seventh new store that will be part of the Company's new headquarters facility in Edison, New Jersey. See "Business—Planned Expansion."

The Company is the successor to Crazy Eddie, Inc., a New York corporation, which was merged into the Company prior to the consummation of the Company's initial public offering of Common Stock in September 1984 (the "Initial Public Offering") in order to change the corporate domicile to Delaware. The predecessor corporation was formed in 1975 as the parent entity of three Crazy Eddie stores. See "Certain Transactions—Reorganization." Upon completion of this offering, Eddie Antar, the Chairman of the Board, President and Chief Executive Officer of the Company, and members of his family will own approximately 49% (approximately 47% if the Underwriters' over-allotment option is

exercised in full) of the outstanding Common Stock of the Company. See "Investment Considerations" and "Principal and Selling Stockholders."

The Company has changed its fiscal year end from May 31 to the first Sunday in March, effective March 3, 1985.

The Company's executive offices are located at 2845 Coney Island Avenue, Brooklyn, New York 11235, telephone number (718) 934-0100. Unless the context otherwise requires, references to the "Company" relate to Crazy Eddie, Inc., its subsidiaries and their predecessors.

USE OF PROCEEDS

The net proceeds from the sale of 200,000 shares of Common Stock offered by the Company (after deduction of underwriting discounts and commissions and estimated expenses of $293,175 payable by the Company in connection with this offering) are estimated to be approximately $3,906,825. Such proceeds will further enhance the Company's capital base and will be available to refurbish and stock stores to be opened by the Company in 1985 and otherwise to carry out the Company's expansion plans. See "Business—Planned Expansion." To the extent not so used, such proceeds will be made available for working capital and other general corporate purposes.

Pending the expenditure of net proceeds as described above, net proceeds will be invested in short-term, interest-bearing obligations. The Company will receive none of the proceeds from the shares being sold by the Selling Stockholders.

DIVIDENDS

The Company has never declared or paid any cash dividends on its Common Stock. The present policy of the Board of Directors is to retain earnings in order to provide funds for the expansion and development of the Company's business. Accordingly, the Company does not anticipate paying any cash dividends to the holders of the Common Stock in the foreseeable future.

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is traded in the over-the-counter market. Since February 12, 1985, the Company's Common Stock has been quoted on the NASDAQ National Market System.

The following table sets forth, for the calendar periods indicated, the high and low bid prices for the Company's Common Stock prior to February 12, 1985 (commencing on September 13, 1984, the date of the Company's initial public offering) and the high and low sale prices for the Company's Common Stock on the National Market System from and after such date, in each case as reported by NASDAQ. NASDAQ quotations for the period prior to February 12, 1985 reflect inter-dealer prices without retail mark-up, mark-down or commission and do not necessarily represent actual transactions. National Market System quotations, which began on February 12, 1985, are based on actual transactions and not bid prices.

	High	Low
1984		
Third Quarter (from September 13, 1984)	$10⅛	$ 8¼
Fourth Quarter	11⅝	8⅝
1985		
First Quarter (through March 12, 1985)	21¼	10⅞

As of February 27, 1985, there were 331 holders of record of the Common Stock, excluding holders whose stock is held in nominee or street name by brokers.

See the cover page of this Prospectus for a recent price of the Company's Common Stock.

CAPITALIZATION

The following table sets forth the capitalization of the Company at November 30, 1984 and as adjusted to give effect to the sale by the Company of 200,000 shares of Common Stock being offered hereby.

	November 30, 1984	
	Actual	As Adjusted
Short-Term Debt(1)	$ 3,941,285	$ 3,941,285
Long-Term Debt(2)	$ 108,725	$ 108,725
Stockholders' Equity:		
Preferred Stock, par value $1.00 per share, 5,000,000 shares authorized, none issued	—	—
Common Stock, par value $.01 per share, 15,000,000 shares authorized, 6,700,000 shares issued and 6,900,000 as adjusted(3)	67,000	69,000
Additional paid-in capital	12,370,293	16,275,118
Retained earnings	8,121,595	8,121,595
Total Stockholders' Equity	20,558,888	24,465,713
Total Capitalization(4)	$20,667,613	$24,574,438

(1) On August 15, 1984, the Company borrowed $3,500,000 from a bank which was used to pay a portion of the Company's income taxes due on that date. The loan was repaid on February 13, 1985. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

(2) On December 21, 1984, the Company obtained a $7,800,000 loan from the New Jersey Economic Development Authority, the proceeds of which will be used to finance the construction of the Company's new headquarters facility in Edison, New Jersey that will include the Company's new executive offices, a warehouse and distribution center, a new central service center and a retail store. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to maximum and minimum interest rates per annum of 14% and 7½%, respectively, and is repayable in varying installments through 2015. See "Business—New Facility."

(3) Of the 8,100,000 authorized shares that will remain unissued after the consummation of the offering made hereby, (i) 250,000 shares have been reserved for issuance under the Crazy Eddie, Inc. 1984 Stock Option Plan (under which options to purchase an aggregate of 132,100 shares of Common Stock are outstanding and currently exercisable) and (ii) 75,000 shares have been reserved for issuance upon the exercise of certain warrants purchased by the representative of the underwriters in connection with the Initial Public Offering.

(4) See the Consolidated Financial Statements and Notes thereto appearing elsewhere herein.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain selected consolidated financial data with respect to the Company and is qualified in its entirety by reference to the financial statements and notes thereto included elsewhere in this Prospectus. In the opinion of management of the Company, the amounts shown for the six months ended November 30, 1983 and 1984 include all adjustments, which consist only of normal recurring adjustments, necessary for a fair presentation of the results for those periods. Results for the six months ended November 30, 1984 are not necessarily indicative of results to be expected for the Company's full fiscal year. All data included in this Prospectus have been restated, where applicable, to reflect the reorganization of the Company described under "Certain Transactions—Reorganization." See Note 1 of Notes to Consolidated Financial Statements.

	Year ended May 31,					Six months ended November 30,	
	1980	1981	1982	1983	1984	1983	1984
	(In thousands, except per share data)						
INCOME STATEMENT DATA:							
Net Sales	$59,410	$78,246	$98,225	$111,406	$137,285	$58,209	$71,028
Cost of Goods Sold	46,843	62,182	76,754	87,719	106,934	45,129	54,692
Gross Profit	12,567	16,064	21,471	23,687	30,351	13,080	16,336
Selling, General and Administrative Expense	10,263	14,064	18,061	19,194	22,560	10,212	11,152
Other Income	88	669	748	594	706	322	593
Interest Expense	160	396	754	450	522	240	125
Other Expenses	523	—	—	—	—	—	—
Income Before Pension Contribution and Income Taxes	1,709	2,273	3,404	4,637	7,975	2,950	5,652
Pension Contribution(1)	1,376	1,836	2,377	2,507	—	—	400
Income Taxes	291	268	555	1,235	4,202	1,586	2,731
Net Income	$ 42	$ 169	$ 472	$ 895	$ 3,773	$ 1,364	$ 2,521
Weighted Average Number of Shares	5,000	5,000	5,000	5,000	5,000	5,000	5,728
Earnings Per Share(2)	$ .01	$ .03	$ .09	$ .18	$ .75	$ .27	$ .44
BALANCE SHEET DATA AT PERIOD END:							
Current Assets	$ 9,301	$12,031	$17,682	$ 18,950	$ 27,837	$27,825	$46,472
Current Liabilities	10,587	14,493	19,271	21,686	30,795	29,896	31,017
Working Capital (Deficiency)(3)	(1,286)	(2,462)	(1,589)	(2,736)	(2,958)	(2,071)	15,454
Total Assets	12,087	16,210	21,434	24,707	37,065	33,772	51,685
Long-Term Debt	84	132	106	70	46	62	109
Stockholders' Equity	1,416	1,585	2,057	2,951	6,224	3,814	20,559

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 5 of Notes to Consolidated Financial Statements appearing elsewhere herein.

(2) Earnings per share were computed by dividing net income by the weighted average number of shares of outstanding Common Stock, after giving retroactive effect to the reorganization described under "Certain Transactions—Reorganization" and after giving effect to the issuance of 1,700,000 shares of Common Stock in September 1984 pursuant to the Initial Public Offering. The stock options and warrants outstanding during the six months ended November 30, 1984 did not enter into the computation because they were not dilutive during that period.

(3) The Company's working capital deficiency during the period prior to the Initial Public Offering was a result of amounts owed to the Company by certain affiliated parties. Such amounts were repaid upon, and in one circumstance subsequent to, the consummation of the Initial Public Offering. See "Certain Transactions—Other Transactions" and Note 10 of Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the relative percentage that certain items in the Company's Consolidated Statement of Operations bear to net sales:

	Income and Expense Items As A Percentage of Net Sales				
	Year ended May 31,			Six months ended November 30,	
	1982	1983	1984	1983	1984
Cost of Goods Sold	78.1	78.7	77.9	77.5	77.0
Selling, General and Administrative Expense	18.4	17.2	16.4	17.5	15.7
Interest Expense	.8	.4	.4	.4	.2
Income Before Pension Contribution and Income Taxes	3.5	4.2	5.8	5.1	8.0
Pension Contribution	2.4	2.3	—	—	.6
Income Taxes	.6	1.1	3.1	2.7	3.8
Net Income	.5	.8	2.7	2.4	3.6

Results of Operations

Six Months Ended November 30, 1983 and 1984

Net sales and net income recorded by the Company improved for the six months ended November 30, 1984 compared to the corresponding period in the prior fiscal year. Net sales for the six months ended November 30, 1984 were $71,028,000, an increase of 22%, or $12,819,000, over the same period in the prior fiscal year. Of this increase, $8.6 million resulted from new stores opened during the period and the balance of $4.2 million was attributable to the Company's other stores, representing an 8% increase on a comparable store basis.

Gross profit (net sales less cost of goods sold) increased $3,256,000 in the six-month period ended November 30, 1984 compared to the corresponding period in the prior fiscal year. This increase was primarily due to the additional sales discussed above, and also reflected an overall increase in the gross profit margin (gross profit as a percentage of net sales) from 22.5% for the six months ended November 30, 1983 to 23.0% for the six months ended November 30, 1984. The increased gross profit margin resulted from continued improvement in purchasing.

Selling, general and administrative expenses as a percentage of net sales declined by approximately 1.8%, and approximated 17.5% for the six months ended November 30, 1983 compared to 15.7% for the six months ended November 30, 1984. The increase in net sales for the more recent six-month period has enabled the Company to improve this ratio because selling, general and administrative expenses are principally fixed expenditures; however, on a comparable store basis, the Company also experienced decreases in payroll and advertising expenses in absolute dollars when compared to the corresponding period of the preceding fiscal year. The increase in selling, general and administrative expenses in absolute dollars from $10,212,000 for the six months ended November 30, 1983 to $11,152,000 for the six months ended November 30, 1984 primarily resulted from the costs incurred at the new stores opened during the Company's current fiscal year.

Earnings for the six months ended November 30, 1984 include a pension contribution of $400,000. No contribution was required for the comparable period in the prior fiscal year.

Fiscal 1984 Compared to Fiscal 1983

Net sales for the year ended May 31, 1984 were $137.3 million, representing an increase of $25.9 million, or 23.2%, over the prior fiscal year. Of this increase, $16.1 million resulted from the inclusion for fiscal 1984 of net sales attributable to two stores that opened in April 1983 and November 1983 and from an increase in net sales of one store that opened in July 1982 and therefore was open only 11 months during fiscal 1983. Sales increased at the nine stores that were open throughout both periods and the one store that was open for all of fiscal 1983 and ten months of fiscal 1984 (having closed in

March 1984) by approximately $8.7 million. Sales of audio and video tapes to Benel increased by approximately $1.1 million over the prior fiscal year. See "Certain Transactions—Other Transactions."

Gross profit (net sales less cost of goods sold) increased by $6.7 million for the fiscal year ended May 31, 1984, as compared with the fiscal year ended May 31, 1983. This increase is primarily due to the additional sales from the Company's stores during fiscal 1984. Gross profit as a percentage of net sales approximated 22.1% for fiscal 1984, as compared with 21.3% for fiscal 1983. This increase was a result of improved purchasing.

Selling, general and administrative expenses increased by $3.4 million during the 1984 fiscal year as compared to the 1983 fiscal year. This increase was primarily due to the additional costs incurred at the two new stores opened in April 1983 and November 1983, respectively.

No pension contribution was made for the fiscal year ended May 31, 1984, as compared with a pension contribution of $2.5 million for the prior year. Contributions required under the Company's money purchase pension plan in the amount of approximately $2,000,000 with respect to the 1984 fiscal year were entirely offset by employee forfeitures resulting from terminations of employment prior to the satisfaction of the plan vesting requirements that occurred during the years 1980 through 1983. Moreover, as a consequence of the funding status of the Company's defined benefit pension plan, the Company was not required to make any contribution to that plan for fiscal 1984. As a result, an increased amount of net income has been realized for the 1984 fiscal year. As discussed in Note 5 of Notes to Consolidated Financial Statements, the Company terminated the money purchase pension plan effective May 31, 1984 and adopted a new profit sharing plan effective June 1, 1984. The Company's pension costs for future periods under its existing pension plans will be lower than has historically been the case. See "Management."

The effective tax rate for the 1984 fiscal year approximated 53%, as compared with 58% for the prior fiscal year. The higher effective rate for fiscal 1983 primarily resulted from non-deductible officer life insurance premiums paid during such year. See Note 4 of Notes to Consolidated Financial Statements for an analysis of the components of income tax expense.

Fiscal 1983 Compared to Fiscal 1982

Net sales for the year ended May 31, 1983 were $111.4 million, representing an increase of $13.2 million, or 13.4%, over fiscal 1982. This increase is attributable to $8.1 million in additional sales from the ten stores that were open for the entire two years ended May 31, 1983, the opening of one store in July 1982, which accounted for $3.5 million in net sales, and the opening of another store in April 1983 which contributed an additional $1.6 million of such net sales.

Gross profit increased by $2.2 million during fiscal 1983 compared to fiscal 1982. Gross profit as a percentage of net sales was 21.3% during fiscal 1983, as compared with 21.9% during fiscal 1982.

Selling, general and administrative expenses increased by $1.1 million during fiscal 1983, an increase of 6.3% over fiscal 1982. This increase was primarily due to the operating costs incurred at the two new stores opened in July 1982 and April 1983, respectively.

Interest expense decreased by $300,000 during fiscal 1983 as a result of lower overall interest rates during such fiscal year and a reduction in the Company's borrowings from a maximum of $5.2 million outstanding in fiscal 1982 to a maximum of $3.5 million during fiscal 1983.

The effective tax rate for the year ended May 31, 1983 approximated 58% compared to 54% for the year ended May 31, 1982. The increase in the effective rate primarily resulted from increased state and local income taxes and increased officer life insurance premiums. See Note 4 of Notes to Consolidated Financial Statements for an analysis of the components of income tax expense.

Liquidity and Capital Resources

The Company has had working capital deficiencies in each of its five most recent fiscal years. The Company's working capital deficiencies have resulted from advances made by the Company to certain affiliated parties, which amounts have been repaid as described in "Certain Transactions—Other Transactions" and Note 10 of Notes to Consolidated Financial Statements. The Company's policy is

that, except as described in "Certain Transactions—Other Transactions," the Company will not engage in transactions with affiliated parties in the future.

The Company has generally satisfied its operating requirements from internally generated funds and short-term bank borrowings. During fiscal 1984, total funds provided from operations amounted to $4,200,000, as compared with $1,200,000 in the prior fiscal year. Working capital in fiscal 1984 decreased by $200,000, as compared with a decrease of $1,150,000 in the prior fiscal year. During the last three fiscal years, the Company had up to $5.2 million in outstanding short-term bank borrowings.

During fiscal 1983, Eddie Antar, Sam Antar and other members of their family borrowed $3,300,000 from Extebank and loaned the proceeds of such borrowings to the Company. The proceeds of such loans were used by the Company to repay its then existing indebtedness to Extebank. Extebank made such personal loans because at that time (in light of the Company's then outstanding obligations and financial condition) the bank preferred to lend on the credit of Eddie Antar and Sam Antar rather than on that of the Company. Subsequently, the Company made payments of principal and interest to Extebank on behalf of Eddie Antar, Sam Antar and such other members of their family in respect of their personal loans. The rate of interest paid by the Company was a fluctuating rate and was equal to the rate charged such persons by Extebank, which ranged from 11¾% to 17% during the period that the personal loans were outstanding. By the Spring of 1984, the Company's financial condition had improved sufficiently to enable it to borrow directly from Extebank to meet its working capital requirements. Accordingly, on March 26, 1984, the Company borrowed $2,600,000 from Extebank and repaid all amounts owed to Eddie Antar and Sam Antar and their family at that time in respect of the loans to the Company. The Company has repaid the amount borrowed from Extebank, and does not intend to borrow from Eddie Antar, Sam Antar or members of their family in the future. See Note 10 of Notes to Consolidated Financial Statements.

On August 15, 1984, the Company borrowed $3,500,000 from a bank which was used to pay a portion of the Company's income taxes due on that date. Interest on the loan accrued at the bank's prime rate plus ¼%. The Company repaid such loan on February 13, 1985 out of funds provided from operations.

On September 20, 1984, the Company completed the sale of 1,700,000 shares of Common Stock pursuant to the Initial Public Offering. As a result of the offering, the Company received approximately $11.8 million of net proceeds, the substantial portion of which remains available to finance additional store openings. At November 30, 1984, the Company had total working capital of $15,455,000. During the six months ended November 30, 1984, the Company generated $2,795,000 from operations.

On December 21, 1984, the Company obtained a $7.8 million loan from the New Jersey Economic Development Authority, the proceeds of which will be used to finance the construction of the Company's new headquarters facility in Edison, New Jersey. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to maximum and minimum interest rates per annum of 14% and 7½%, respectively, and is repayable in varying installments through 2015. In addition, the Company has arranged for an unsecured line of credit in the amount of $10 million with another commercial bank, which line of credit will remain available through August 31, 1985.

In past years, the Company's capital expenditures, incurred principally in connection with the opening of new stores, were financed almost entirely out of internally generated funds. The Company intends to continue to use internally generated funds, together with a portion of the proceeds from the Initial Public Offering and the proceeds of this offering, to finance its expansion plans. In light of the Company's existing financing arrangements, normal trade credit and anticipated cash flow, the Company believes that it will be able to continue to provide for its contemplated cash requirements and carry out its expansion plans. The Company's current expansion plans include the opening of six new stores during the remainder of 1985 in Massapequa, New York, Nanuet, New York, Livingston, New Jersey, Orange, Connecticut and the Boroughs of Manhattan (150 Broadway) and Queens (Queens Boulevard) in New York City, as well as a seventh new store at the Company's new headquarters facility in Edison, New Jersey.

Impact of Inflation

In the Company's opinion, inflation has not had a material impact upon its operating results because technological advances in the type of products sold by the Company, together with increased competition among the Company's vendors, have kept the prices of such products stable and, in some instances, have caused the prices to decline.

BUSINESS

The Company sells home entertainment and consumer electronic products through a chain of retail stores located in New York, New Jersey and Connecticut. All of the Company's stores are operated under the Crazy Eddie name, and are located in New York City or within the surrounding 50-mile radius. The Company believes that the "Crazy Eddie" name has achieved strong consumer recognition in the Company's geographic market. Accordingly, the Company has adopted a marketing strategy that seeks to promote the Crazy Eddie name more than particular brand name merchandise or specific prices. The Company has sought to implement this strategy by aggressively advertising, primarily on radio and television, the low prices, customer service and product selection available to customers at each Crazy Eddie store.

The Company carries a broad range of products at each of its stores in order to provide customers with a wide selection of high quality, nationally recognized brand name merchandise. Because of the purchasing power generated by the strong consumer recognition of the Crazy Eddie name in the Company's geographic market and by the sales volume of the Company's stores, the Company is able to purchase merchandise directly from manufacturers on terms that it believes to be more favorable, in many cases, than those offered to large retail department and specialty stores, thereby enabling the Company to offer such merchandise at prices that it believes to be generally below those offered by such other stores. The Company's sales per square foot of selling area were $1,886 and $2,118 for the fiscal years ended May 31, 1983 and 1984, respectively, and were $956 and $1,024 for the six months ended November 30, 1983 and 1984, respectively. The Company believes, based on published industry data, that its sales per square foot rank among the highest in its industry.

Although much of the merchandise carried by the Company is displayed in specialized fixtures or self-demonstrating audio and visual displays, the Company does not operate its stores in a "self-service" fashion and encourages its trained personnel to actively assist customers in selecting merchandise. In addition, each Crazy Eddie store has a service department on the premises, thereby enabling the Company in most cases to promptly service or repair its merchandise at the same location at which products were purchased by the Company's customers.

Because of the proximity of the Crazy Eddie stores to the Company's corporate headquarters, the Company is able to closely monitor its sales personnel as well as the sales results and operations at each of its stores. The Company believes that it is able to quickly assess changes in consumer tastes and preferences and to respond rapidly to such changes through its use of a central purchasing department and its employment of an in-house advertising staff.

Marketing and Sales

The Company believes that it has become a leading home entertainment and consumer electronics retailer in the geographic area in which it operates, and that it has achieved such status by virtue of the prices, selection and service offered at each of its Crazy Eddie stores.

A major factor in the Company's success has been its policy, publicized in daily advertisements, to price its merchandise below the prices that are typically offered by department stores, specialty stores and many other discount retailers. All products sold in Crazy Eddie stores carry a 30-day price guaranty pursuant to which the store will refund the difference between its sale price and any lower price for the same product that is demonstrated by the customer to be available at any other store.

The broad selection of products offered by the Company and the manner in which they are displayed enable the Company to easily change the variety and emphasis of its products and to expand displays of promotionally-priced or fast-moving items. This flexibility permits the Company to introduce new products, including products utilizing emerging technologies, and, at the same time, to maintain

sales in existing product lines. Because the products sold by the Company attract customers of all ages, the Company does not focus its marketing efforts on any particular age group.

The Company views itself as being in a service business, and emphasizes to its sales personnel the need to provide personal attention to each customer. At each Crazy Eddie store, trained sales personnel are instructed to seek to assist customers in their purchases by demonstrating products and providing information desired by the customer with respect to price, quality and other matters. Highly visible displays of many products at each Crazy Eddie store promote sales by enabling sales personnel to demonstrate for customers the use of such products. In addition, the Company frequently utilizes in-store demonstrations of products by representatives of vendors.

Crazy Eddie stores are generally open seven days a week, from 10:00 a.m. to 10:00 p.m., Monday to Saturday, and noon to 5:00 p.m. on Sunday. The store located in Paramus, New Jersey is not open on Sunday. The Company's store hours are intended to make Crazy Eddie stores more accessible to customers than other stores selling similar goods, particularly for those customers who are unable to shop during ordinary business hours.

Advertising

The Company seeks to promote its prices, selection and service through an aggressive mass-media advertising campaign. Most of the Company's advertisements appear on radio and television, although the Company also advertises in New York City and certain local newspapers. The Company's radio and television advertising has as its theme "Crazy Eddie—His Prices Are Insane!"™, and advertisements feature a local radio announcer who seeks to convey to customers the Company's message of price, selection and service in an energetic and humorous manner.

Although the Company's advertising expenditures have increased from year to year, advertising expenditures as a percentage of net sales have declined as a result of the opening of new Crazy Eddie stores within the Company's "advertising umbrella" and of increased sales volume from existing stores. See "Historic Growth" below.

The Company's advertising typically stresses promotional pricing, a broad assortment of merchandise, and the assistance provided by "professionally staffed service centers." Content, production and media placement (as well as lay-out and artwork in the case of newspaper advertising) are handled by an in-house advertising staff. The Company's approach is to be flexible in decisions regarding advertising and to make changes to advertising copy on short notice, where necessary, in order to publicize product promotions or to take advantage of new products or unexpected market developments.

Products

The size of a typical Crazy Eddie store enables it to offer a very broad selection in terms of both the breadth of products displayed and the selection within each product group. For example, a Crazy Eddie customer can choose from hundreds of models of audio components, television sets and car stereos manufactured by a wide variety of vendors. The Company sells over 500 brand names of merchandise, including Panasonic, General Electric, Sony, Hitachi, Toshiba and Fisher.

The Company's products may be grouped into the following seven groups: television and video, audio and audio systems, car stereo, portable and personal electronics, games and computers, accessories and tapes and miscellaneous items.

Television and video product group includes black and white televisions, portable color televisions, console color televisions, monitor televisions, AC/DC powered televisions, rear screen projection televisions, front projection televisions, television stands, component televisions, novelty televisions, portable and stationary video recorders, video cameras, video disc CED and Laser, video disc software, video enhancement devices, lighting systems and tripods.

Audio and audio systems product group includes home speakers, receivers, cassette decks, automatic and manual turntables, amplifiers, tuners, equalizers, signal processing, reverberation units, digital audio players, mini, midi and normal sized pre-packaged audio systems, open reel recorders,

mixing boards, electronic musical keyboards, preamplifiers, compact music systems, headphones, microphones, power-amplifiers and integrated amplifiers.

Car stereo product group includes in-dash AM-FM cassette receivers, AM-FM cassette decks, tuners, preamplifiers, speakers, amplifiers, reverberation units, equalizers, antennas, installation hardware, boosters, car radios and car alarms.

Portable and personal electronics product group includes portable radios, AC/DC portable recorders, AC/DC portable radio recorders, telephone answering recorders, portable telephones, standard and designer telephones, automatic telephone dialers, audio, video and computer furniture, home security devices, electronic typewriters, walkman-type radios, calculators, clock radios and micro cassette recorders.

Games and computers product group includes business and home computers, printers, floppy disc drives, data recorders, business and recreational software, computer monitors, electronic video games and software, and game joysticks.

Accessories and tapes product group includes cables, switches, phonograph cartridges and styli, audio and video tapes, storage boxes, blank audio tapes and blank video tapes, floppy discs, audio and video headcleaners, record cleaners, specialty audio records, tonearms, transformers and batteries.

Miscellaneous items product group includes microwave ovens, air conditioners, electric fans and other miscellaneous items, car stereo installation and extended warranty contracts offered by the Company for most audio, video and computer merchandise sold and for certain other items.

The Company recently began to keep sales records on the basis of product groups, and intends to continue to do so in the future. The table below shows the approximate percentage of the Company's combined sales for the months of December 1984 and January 1985 attributable to each of the foregoing product groups (except that the accessories and tapes product group has been combined with the miscellaneous items product group):

Product Group	Percentage of Total Sales
Television and video	52%
Audio and audio systems	16
Car stereo	6
Portable and personal electronics	13
Games and computers	10
Accessories, tapes and miscellaneous items	3
	100%

The percentage of sales accounted for during any period by each product group is affected by promotional activities, consumer trends and the development of new products. Management believes, however, that the Company is not dependent on any one product line or upon any single vendor or several major vendors, and that competitive sources of supply are available for all of the Company's merchandise.

Operations

Purchasing, distribution, personnel, accounting, advertising and merchandising management are centralized in the Company's corporate headquarters in Brooklyn, New York. During the summer of 1985, the Company expects to move its corporate headquarters to a new location in Edison, New Jersey, which, in addition to providing more space, will house a retail outlet, a new central service center that will replace the Company's current central service center located in the Bronx, New York, and a warehouse and distribution center. The existing Crazy Eddie stores, as well as the new stores scheduled to open during 1985 (other than the store to be located in Orange, Connecticut), will be within approximately 70 miles of the new corporate headquarters. See "Properties."

The Company generally purchases inventory directly from vendors who extend open lines of credit that are sometimes secured by the products sold. Substantially all inventory purchased by the Company

is shipped directly to its central distribution facility at the Company's corporate headquarters. Each Crazy Eddie store receives shipments of inventory from the central distribution facility several times a week, and often on a daily basis, thereby increasing convenience to customers by enabling each store to maintain substantial inventories of all products and to promptly replenish inventories of fast-moving products. Inventory turned over 6.36 and 5.53 times for the fiscal years ended May 31, 1983 and 1984, respectively. For the six months ended November 30, 1983 and 1984, inventory turned over 4.76 and 4.02 times, respectively.

Sales to customers are primarily made on a cash basis although the Company also accepts the following credit cards: Visa, Master Charge and American Express. Finance charges on credit card sales for the year ended May 31, 1984 approximated $1,568,000, and approximated $813,000 for the six months ended November 30, 1984.

Sales results for each store are generally available at the Company's corporate headquarters one day after sales occur. The daily sales reports, which are prepared manually by each salesperson and also are compiled by computer, enable management to review and analyze the performance of each of its salespersons. These reports also are used to manage central inventory and restock store inventories, and facilitate product pricing. A central purchasing department monitors current sales and tracks inventory on a daily basis. This department also performs all purchasing on behalf of the Crazy Eddie stores, thereby avoiding the need for individual stores to re-order merchandise when inventories of specific products need to be replenished.

Each Crazy Eddie store has its own complete management structure. In addition to a full-time store manager and assistant store manager (or in many cases two co-managers) at each location, each major department at a Crazy Eddie store has its own manager who reports to the store manager(s). Major departments include stock, television and video, personal electronics, computer, car stereo, and hi-fi and audio, although certain of such departments are combined in some of the Company's smaller stores. The Company's policy is to seek to staff store management positions from personnel within each store, and to staff new stores from its pool of trained managers. This policy, together with the historically low turnover of the Company's management personnel, has enabled the Company to develop an experienced management group. A majority of the Company's current store managers have been employed by the Company in this or other capacities for more than seven years.

The Company's management is typically in contact with the store managers on a daily basis, and seeks to monitor closely each store's operations. In addition, management meets with all of the store managers as a group, generally on a weekly basis, in order continually to emphasize the Company's philosophy of providing quality service to its customers and to discuss specific products, promotions, customer requests and other matters.

Although the Company's salespersons, numbering approximately 306 at January 31, 1985, generally develop a particular expertise with respect to specific products or a particular department, they receive extensive in-store training intended to enable them to demonstrate to customers the use and operation of all of the Company's merchandise and to service all of a customer's needs. Store managers are instructed to meet with, and continuously to monitor, their salespersons in order to promote good sales practices and also to train employees in the Company's operations and explain new products. Company manuals, advertising newsletters, video tape programs and presentations by management and manufacturers' representatives are utilized by the Company in its employee training. The Company attempts to motivate sales personnel by offering pension and profit sharing plans, a comprehensive medical insurance program and other employee benefits. Except in the case of sales of the Company's extended warranty plans, sales personnel are not paid on a commission basis. See "Employees" below.

All merchandise selected by a customer at a Crazy Eddie store (other than certain small items) must be written up by a salesperson before payment can be made at a central sales register located in each store. Substantially all items are picked up by the customer, after payment, from a separate stock department. Generally, all merchandise sold is taken by the customer directly from the store, with the exception of certain large televisions and consoles. The Company also offers delivery and installation service for certain of its products.

Merchandise sold may be exchanged for the same or other products or for store credit within seven days of the sale. The Company's policy is not to refund money paid. In addition, all products are sold with a 30-day price guaranty as described under "Marketing and Sales" above.

In addition to the service department located on the premises of each Crazy Eddie store, the Company employs approximately 28 full-time employees at a central service center which is utilized by each of the stores in those cases where more extensive servicing or repair is required. All merchandise sold by the Company is serviced and repaired either at the store service department or at the central service center, other than televisions which are sometimes sent to independent factory-authorized service stations and returned to the store after servicing or repair.

The Company offers its own extended warranty contracts for most audio, video and computer merchandise sold and for certain other items, pursuant to which the Company provides extended warranty coverage beyond the warranty period covered by the manufacturer. The Company performs the services required under the extended warranty contracts, except certain services which are performed by independent service companies selected by the Company. The Company also provides periodic maintenance services with respect to certain of its merchandise.

Properties

The 15 existing Crazy Eddie stores are all located within a 50-mile radius of New York City. Nine of these stores are located in New York, five are in New Jersey and one is in Connecticut. The New York stores include five stores in New York City (three located in the Borough of Manhattan and one each in the Boroughs of Brooklyn and the Bronx), three in Long Island and one in Westchester County. The Company has signed leases for five additional stores, to be located in Massapequa, Long Island, Nanuet, New York, Orange, Connecticut and in the Boroughs of Manhattan (150 Broadway) and Queens (Queens Boulevard) in New York City, all of which are expected to open during the remainder of 1985, and has been assigned a lease for a sixth store at a site in Livingston, New Jersey that is also expected to open this year.

Crazy Eddie stores are situated on major commercial thoroughfares and are conveniently accessible to established urban neighborhoods or major residential areas in suburban neighborhoods. Although nine of the 15 Crazy Eddie stores are located in or near shopping centers, store locations are selected by management with the intention that each store will attract its own customer traffic rather than rely on customer traffic generated by neighboring retailers.

The Company's general policy is to lease its stores in order to limit its investments in fixed assets and increase the availability of capital for other purposes. All of the Crazy Eddie stores are leased from unrelated parties, except that the store located in Union, New Jersey is leased from Eddie Antar and Sam Antar. The Company operates all of the space in each of its stores and does not lease any space to any third party concessionaires, other than pursuant to licensing agreements with Benel Distributors, Ltd. See "Certain Transactions—Other Transactions." In addition, the Company intends to sublease approximately 10,000 square feet of the property that the Company leases in Massapequa, New York.

The Company's store leases, which (after giving effect to applicable renewal options) expire on various dates through June 30, 2000, in each case provide for a base rental and do not provide for a percentage of sales rental in addition to the fixed minimum rent. The leases are net leases requiring that, in addition to a fixed rent, the Company maintain and repair the leased premises at its own expense and pay all real estate taxes, utilities, insurance, heating and air conditioning costs. Rental payments (including amounts paid in respect of expenses, taxes and other charges) by the Company aggregated $1,857,000 for the fiscal year ended May 31, 1984. See Note 6 of Notes to Consolidated Financial Statements.

The table below sets forth certain information concerning the Company's 15 existing stores and the Company's six stores scheduled to open during the remainder of 1985:

Store Location	Year Opened	Approximate Selling Area (square feet)	Lease Expiration Date(1)
405 Ave. of the Americas New York, New York	1975	1,870	June 30, 1999
300 East Fordham Road Bronx, New York(2)	1976	5,900	February 27, 1986
2067 Coney Island Avenue Brooklyn, New York(3)	1977	6,864	December 14, 1987
809 Route 17 Paramus, New Jersey	1977	5,779	June 6, 1997
269 Route 18 East Brunswick, New Jersey	1978	8,423	August 30, 1991
2155 Route 22 West Union, New Jersey(4)	1979	4,400	December 31, 1988
393 North Central Avenue Hartsdale, New York	1979	6,692	September 30, 1990
401 Old Country Road Carle Place, New York	1980	7,871	April 29, 1998
212 East 57th Street New York, New York	1981	5,316	January 31, 1996
426 Westport Avenue Norwalk, Connecticut	1983	3,959	February 28, 1998
Route 46 West and Riverview Drive Totowa, New Jersey	1983	3,871	February 10, 1993
1010 Smithtown Bypass Nesconset, New York	1984	4,398	May 26, 1999
350 Jericho Turnpike Syosset, New York(5)	1984	3,607	January 15, 1991
165 East 86th Street New York, New York(6)	1984	2,650	April 30, 1994
30 Jensen Street Fords, New Jersey	1984	2,920	September 30, 1999
1000 Sunrise Highway Massapequa, New York	(7)	3,240	May 1, 1999
175 Rockland Center Nanuet, New York	(7)	4,950	September 30, 1999
449 West Mount Pleasant Avenue Livingston, New Jersey	(7)	2,616	June 30, 1995
89-22 Queens Boulevard Elmhurst, New York	(7)	3,032	October 31, 1999
150 Broadway New York, New York	(7)	4,625	April 30, 1999
116 Boston Post Road Orange, Connecticut	(7)	3,000	June 30, 2000

(1) Includes applicable renewal options.

(2) The Company also operates its central service center, consisting of 3,800 square feet, at this location.

(footnotes continued on next page)

(footnotes continued from previous page)

(3) This store replaced an earlier store that was opened in 1973.

(4) This store is leased by the Company from Eddie Antar and Sam Antar. See "Certain Transactions—Other Transactions."

(5) This store, which opened in November 1984, replaced an earlier store that was opened in 1974 at a nearby location.

(6) On March 31, 1984, the lease for a store at 1496 Third Avenue, New York, New York expired. Renewal of this lease was not possible and the Company decided to relocate such store to larger premises at this nearby site. The Company opened this store in September 1984.

(7) Expected to open during the remainder of 1985.

The Company sub-subleases from Kelso Industries, Inc., a corporation wholly-owned by Eddie Antar and Sam Antar, a 20,000 square foot facility in Brooklyn, New York in which the Company currently has its corporate headquarters, which includes both its executive offices and central distribution facility. The sub-sublease expires on March 30, 1985 and is renewable for one year terms thereafter at the Company's option through March 30, 1988. The Company's rental payments under the sub-sublease are equal in amount to those that Kelso Industries pays to the sublessor. Once the Company's headquarters is moved to Edison, New Jersey, the sub-sublease agreement will be terminated and Kelso Industries will retain its leasehold rights as sublessee.

The Company also leases premises in close proximity to its current corporate headquarters which are used as a car stereo installation center.

New Facility

On April 11, 1984, the Company entered into agreements to purchase approximately 11 acres of land in Edison, New Jersey and to have a builder construct the Company's new corporate headquarters on such land. The agreements were conditioned, among other things, upon the Company receiving from the New Jersey Economic Development Authority (the "Authority") approval for the issuance of economic development bonds to finance such acquisition and construction as well as certain related costs.

On December 21, 1984, the Company borrowed from the Authority the aggregate amount of $7,800,000 in order to finance the acquisition or construction of the land, the new facility and certain related machinery and equipment. The proceeds for such loan were provided pursuant to the issuance by the Authority of $6,200,000 aggregate principal amount of its Series A Economic Development Bonds (Crazy Eddie, Inc.—1984 Project) (the "Series A Bonds") and $1,600,000 aggregate principal amount of its Series B Economic Development Bonds (Crazy Eddie, Inc.—1984 Project) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). Pursuant to a loan agreement between the Authority and the Company, the Company is obligated to make principal and interest payments in respect of the loan in amounts sufficient to pay the amounts of principal and interest due from time to time on the Bonds. The Bonds bear interest at a rate equal to 75% of the rate of interest announced from time to time by Midlantic National Bank as its prime rate, but such rate may in no event exceed 14% or be less than 7½% per annum. The principal amount of the Series A Bonds is payable in consecutive quarterly installments of approximately $51,667, commencing January 1, 1986 to and including July 1, 2015. The principal amount of the Series B Bonds is payable in consecutive monthly installments of approximately $19,048, commencing August 1, 1985 to and including January 1, 1992.

As security for repayment of the Bonds and the performance by the Company of its obligations under the loan agreement with the Authority, the Company has granted to the Authority a first mortgage lien on the new facility and a security interest in, among other things, all leases that are entered into by the Company with any tenant of the facility (including all rents payable to the Company thereunder).

The Company expects that the move to Edison, New Jersey will occur during the summer of 1985 and that its total cost for such move, including costs associated with the purchase and construction of

the new facility and related relocation expenses, will be approximately $8,000,000. The new location will have approximately 210,000 square feet of space, of which 110,000 square feet will house the Company's new executive offices, a retail store, a new central service center that will replace the current facility in the Bronx, New York, and a warehouse and distribution center designed to support the Company's current store requirements and anticipated growth. It is expected that approximately 35,000 of the remaining 100,000 square feet will be leased by the Company on a short-term basis to Benel Distributors, Ltd. and the balance to other third parties. The Company does not expect such relocation to result in any interruption of the Company's normal business operations and procedures. There can be no assurance, however, that such relocation will be completed or, if completed, that it will be completed at the expected cost and without any impact on the Company's business.

Historic Growth

In 1969, the Company opened its first store in Brooklyn, New York. Between 1969 and May 31, 1975, the Company opened two additional stores. Since then, the Company has opened 13 new stores. One store was closed in March 1984 and reopened in September 1984 in larger premises at a nearby location. The following table sets forth certain statistical information with respect to the Company's expansion for the periods indicated:

	Year ended May 31,					Six months ended November 30,	
	1980	1981	1982	1983	1984	1983	1984
Number of stores:							
Beginning of period..	7	9	10	10	13	12	13
New opened	2	1	—	2	1	1	3
End of period.....	9	10	10	12	13(2)	13	15(3)
Net sales per square foot..	$1,441	$1,503	$1,699	$1,886	$ 2,118	$ 956	$1,024
Weighted average net sales per store (in thousands)(1)	$7,647	$8,489	$9,540	$9,887	$10,634	$4,821	$5,234

(1) Average has been weighted to reflect the period for which stores were open during the relevant period.

(2) Reflects the opening of the Smithtown, New York store in May 1984 and the closing of a store in New York City in March 1984 which reopened at a nearby location in September 1984.

(3) Reflects the opening of new stores in New York City and Woodbridge, New Jersey in September 1984 and November 1984, respectively, and the closing of a store in Syosset, New York in November 1984 which reopened at a nearby location later that month.

Planned Expansion

The Company opened its newest store in Woodbridge, New Jersey in November 1984 and has signed (or been assigned) leases for six new stores, to be located in Massapequa, New York, Nanuet, New York, Livingston, New Jersey, Orange, Connecticut and the Boroughs of Manhattan and Queens in New York City, that are expected to open during the remainder of 1985. A seventh new store, to be located at the Company's new headquarters facility in Edison, New Jersey, also is expected to open this year. See "Properties" and "New Facility" above. The Company relocated one of its New York City stores and its Syosset, New York store to larger premises at nearby locations in September 1984 and November 1984, respectively.

Costs associated with the opening of any new Crazy Eddie store are currently estimated by the Company to approximate between $800,000 and $1,000,000, including costs of leasehold improvements, fixtures, equipment and inventory. This estimated cost would likely decrease in those cases where the Company is not required to make significant leasehold improvements, and would likely increase if it were necessary to renovate substantially or convert previously used space. In addition, other economic conditions not within the control of the Company, such as inflation, could result in increased store opening costs in the future. Although some work is typically subcontracted out to third parties, the

Company employs three persons who historically have handled the bulk of the work associated with the refurbishing of the interior of new stores, and believes that its use of such in-house personnel results in significant cost savings in connection with the acquisition and opening of additional stores. None of the subcontracted work is performed by affiliated companies.

The Company's current expansion objective is to focus on the geographic market within a 50-mile radius of New York City to take advantage of the Company's "advertising umbrella" provided by extensive radio and television advertising and other efficiencies and cost benefits that have been realized by the Company as a result of its geographic concentration of stores. Opening additional stores in the Company's existing market has enabled the Company to increase market penetration and increase pretax earnings by reducing overhead and advertising cost as a percentage of sales in that market. See "Advertising" above.

The Company has opened eleven new stores since May 31, 1978 (including one store in New York City that later closed and reopened at a nearby location), and currently intends to continue to expand by opening three to six additional stores during each of the next five years. As noted above, the Company has signed (or been assigned) leases for six new stores, and expects to open an additional new store at its new headquarters facility in Edison, New Jersey. Management is continuously seeking new store locations available for leasing and believes that it will be able to locate within its desired geographic market a number of available locations suitable for additional stores sufficient to enable the Company to fulfill its current expansion plans. There can be no assurance, however, that desirable locations with suitable structures will continue to be available, or if available will be obtained on favorable lease or purchase terms. The Company believes that the distribution facility at its new corporate headquarters in Edison, New Jersey, which it expects to occupy during the summer of 1985, will have the capacity to support the Company's expansion plans for the foreseeable future. Moreover, because of the number of trained managers at the existing Crazy Eddie stores, the Company believes that it has developed a pool from which to staff management of any additional stores.

Implementation of the Company's expansion plan is dependent on future business conditions. Expansion also will depend on the Company's ability to locate within its geographic market suitable sites for Crazy Eddie stores, and on the availability of funds. A portion of the net proceeds to the Company from the Initial Public Offering and the offering made hereby will be used to fund costs associated with the opening of some or all of the new stores referred to above, and also may be used to fund future expansion. Any additional funds necessary for expansion may be obtained through borrowing, internal sources or debt or additional equity offerings. To the extent sufficient funds are not available from such sources, the Company may not be able to fulfill its expansion objectives.

Seasonality

Historically, the Company has realized greater sales during its third fiscal quarter, due to the Christmas season, than in other fiscal quarters of the year. The Company's marketing strategy and, in particular, its steady use of radio and television advertising is intended to minimize the seasonality of the Company's sales.

The following table sets forth the Company's net sales per fiscal quarter for the past three fiscal years on an unaudited basis:

	NET SALES (Dollars in thousands)				
Year ended May 31,	1st Quarter (June-August)	2nd Quarter (September-November)	3rd Quarter (December-February)	4th Quarter (March-May)	Total for Year
1982	$22,301	$22,678	$30,666	$22,580	$ 98,225
	23%	23%	31%	23%	100%
1983	$22,954	$23,705	$36,856	$27,891	$111,406
	21%	21%	33%	25%	100%
1984	$27,510	$30,699	$48,248	$30,828	$137,285
	20%	22%	35%	23%	100%

The Company's net sales for its fiscal quarters ended August 31, 1984 and November 30, 1984 were $32,344,000 and $38,684,000, respectively. The Company's net sales for the three months ended March 3, 1985 were $65,300,000, as compared to $47,200,000 for the corresponding period a year ago. Net sales for the twelve months ended March 3, 1985 were $165,200,000, as compared to $129,700,000 for the preceding twelve-month period.

Servicemarks

The "Crazy Eddie" and "Record and Tape Asylums" marks, and the Company's logo, are servicemarks registered with the United States Patent and Trademark Office and owned by the Company. In addition, there are currently pending before the United States Patent and Trademark Office applications for the registration of "Crazy Eddie Record and Tape Asylums" and "His Prices Are Insane" marks. The "Crazy Eddie" and "His Prices Are Insane" marks, as well as the Company's logo, are an integral part of the Company's advertising and important to the Company's business. The "Crazy Eddie Record and Tape Asylums" and certain other of the Company's servicemarks are licensed by the Company for use by Benel Distributors, Ltd. See "Certain Transactions—Other Transactions."

Competition

The business of the Company is highly competitive in that there are many retailers that sell one or more of the products carried by the Company. The Company competes with department stores, discount stores, catalog showrooms and specialty stores. To some extent, the Company also competes with drugstores, supermarkets and others that make incidental sales of electronic products. Some of the Company's competitors are national in scope and have greater financial resources than the Company.

The Company competes principally by aggressively advertising its broad selection of merchandise, low prices and customer service, and believes that it has become the most visible home entertainment and consumer electronics retailer in its geographic market by virtue of the widespread consumer recognition of the "Crazy Eddie" name. In addition, the Company believes that its sales volume, together with the consumer recognition of its name, provides the Company with significant purchasing power. The Company seeks to take advantage of such purchasing power by negotiating for favorable pricing and other terms with the manufacturers of its merchandise, which in turn permits the Company to sell such merchandise to customers at prices that it believes to be lower than those offered by most of its competitors.

Employees

At January 31, 1985, the Company employed 935 persons, of whom 146 were salaried and 789 were compensated on an hourly basis. Approximately 147 of its employees are employed in the Company's corporate headquarters and central service center; the balance are employed in the stores. Except as noted under "Operations" above, no sales personnel are paid on a commission basis. Substantially all of the Company's employees are employed full-time. The Company has never experienced a strike or work stoppage and management believes that its employee relations are good. There are no collective bargaining agreements covering any of the Company's employees.

Legal Proceedings

Except as described in the following paragraph, the Company is not a party to any material legal proceedings. It is, however, involved in litigation relating to claims arising out of its operations in the normal course of business. Such claims against the Company are generally covered by insurance. It is the opinion of management that any uninsured or unindemnified liability resulting from such litigation would not have a material adverse effect on the Company's business or financial position.

The Company is a defendant in *Gerald Newman v. Crazy Eddie, Inc.*, an action filed in the New York Supreme Court, Westchester County, in September 1984. The plaintiff seeks damages in the aggregate amount of $3,600,000 based upon an alleged agreement in or about October 1983 between himself and the Company relating to services to be performed by the plaintiff in connection with a proposed public offering of the Company's stock. The Company did not enter into any written agreement with the plaintiff and did not agree to pay him any compensation. The Company is vigorously contesting plaintiff's claims, and has filed a motion for summary judgment in favor of the

Company dismissing all of such claims. In addition, the Company has filed a counterclaim seeking compensatory and punitive damages from the plaintiff in an aggregate amount of $10,000,000, together with reimbursement of all legal expenses incurred by the Company in defending the plaintiff's action.

In connection with the closing of the medical school described under "Certain Transactions—Other Transactions," Eddie Antar has been named, together with several other persons, as a defendant in a federal law suit in which the plaintiff has alleged that the defendants fraudulently misrepresented certain matters in connection with such medical school. Eddie Antar believes, on advice of counsel, that the claim is without merit, and intends vigorously to defend against such action. Two of the defendants have filed a motion to dismiss the case, which motion is presently pending. A similar action brought in state court has been dismissed.

MANAGEMENT

Directors and Executive Officers

The Company's directors and executive officers are as follows:

Name	Age	Positions with the Company
Eddie Antar	37	Chairman of the Board, President and Chief Executive Officer
Sam Antar	63	Director, Executive Vice President
Mitchell Antar	29	Director, Vice President—Purchasing
Eddy Antar	59	Director, Treasurer
James H. Scott, Jr.	40	Director
Carl G. Zimel	39	Director
Solomon E. Antar	47	Secretary and General Counsel

The Company's directors hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified. The Company's officers are elected annually by the Board of Directors and hold office at the pleasure of the Board.

Eddie Antar and Mitchell Antar are brothers, and are sons of Sam Antar. Eddy Antar and Sam Antar are brothers. Solomon E. Antar is a cousin of Sam Antar and Eddy Antar.

Eddie Antar has served as a director and President of the Company and its predecessors since its inception and was elected Chairman of the Board, President and Chief Executive Officer in May 1984.

Sam Antar has served as a director and Vice President of the Company and its predecessors since its inception and was elected Executive Vice President in May 1984. Shoe Time, Inc., an Arizona corporation which operates discount shoe stores in the State of Arizona and in which Sam Antar has a 50% equity interest, filed a petition under the federal bankruptcy laws on June 13, 1983.

Mitchell Antar was elected a director and Vice President—Purchasing in May 1984. Prior to that time, he served the Company in purchasing and store operations.

Eddy Antar was elected a director and Treasurer in May 1984. Prior to that time, he served as the Secretary and Treasurer of the Company.

James H. Scott, Jr. was elected a director in October 1984. Since 1983, Mr. Scott has been a Professor of Finance at the Columbia University Graduate School of Business. Prior to that time, he was an Associate Professor. Mr. Scott was on leave from Columbia University from August 1981 through June 1982, during which time he was employed at McKinsey & Co. until January 1982 and then in the Corporate Finance Department at Goldman, Sachs & Co.

Carl G. Zimel was elected a director in May 1984. For the past two years, he has served as Senior Vice President in charge of branch administration and operations at Midland Bank and Trust Co. in Paramus, New Jersey. Prior to that time, he served as Vice President at the bank. Midland Bank and Trust Co. has issued for the account of the Company various letters of credit aggregating approximately $500,000 in connection with certain of the Company's leases.

Solomon E. Antar was elected Secretary and General Counsel in May 1984. Prior to that time, he served as the Company's General Counsel.

Executive Compensation

The following table sets forth all cash compensation paid by the Company for the fiscal year ended May 31, 1984 to (i) each of the Company's executive officers whose cash compensation exceeded $60,000 and (ii) all executive officers of the Company as a group:

Name of Individual or Number in Group	Capacities in Which Served(1)	Cash Compensation(2)
Eddie Antar	Chairman of the Board, President and Chief Executive Officer	$322,720(3)(5)
Sam Antar	Executive Vice President	247,582(4)(5)
Mitchell Antar	Vice President—Purchasing	120,000
Eddy Antar	Treasurer	100,000
Executive officers as a group (5 persons)		821,702(3)(4)(5)

(1) During the fiscal year ended May 31, 1984, the named executive officers had the duties and responsibilities associated with their respective titles, notwithstanding that they did not formally hold those titles throughout the year. In May 1984, the Company formalized the existing management structure by assigning the titles shown.

(2) The table does not include any amounts for personal benefits because the dollar amount cannot be specifically ascertained, and the Company does not believe that in any individual's case such value would equal or exceed the lesser of $25,000 or 10% of such individual's cash compensation shown above or that, with respect to the group, the aggregate amount of such value would exceed the lesser of $125,000 or 10% of aggregate cash compensation shown above for the group.

(3) Includes $75,000 paid to the wife of Eddie Antar.

(4) Includes $75,000 paid to the wife of Sam Antar.

(5) Excludes compensation that may be deemed to have been paid in connection with interest-free loans made to Eddie Antar and Sam Antar as described under "Certain Transactions—Other Transactions" below.

Members of the Board of Directors who are not employees of the Company are paid a fee of $5,000 per annum for their services as directors.

Employment Agreement

The Company has entered into an employment agreement with Eddie Antar, effective as of June 1, 1984 (the "Employment Agreement"), providing for the employment of Mr. Antar as the Chief Executive Officer of the Company at an initial annual base salary of $300,000. Mr. Antar has agreed that no bonus compensation will be paid to him prior to, or for the period ending, June 1, 1985, and that his base salary will not be increased prior to such date. Thereafter, Mr. Antar may receive increases in base salary and bonuses as determined by the Board of Directors, which shall base its determination, in part, upon the future performance of the Company. The Employment Agreement does not obligate the Company to increase Mr. Antar's base salary after May 31, 1985 but, if it does so, it cannot thereafter reduce such base salary. Such additional compensation would increase the Company's administrative and general expense. Unless otherwise terminated by the Company as provided in the Employment Agreement, Mr. Antar's term of full-time employment will continue until the earlier of (i) the fifth anniversary of receipt of a notice of termination given by the Company or Mr. Antar to the other or (ii) the first anniversary of receipt of a notice of termination given by Mr. Antar to the Company on or after Mr. Antar's 59th birthday, except that the term of Mr. Antar's full-time employment may in no event extend beyond the day next preceding the Annual Meeting of Stockholders of the Company next following the date of Mr. Antar's 65th birthday. The Employment Agreement obligates Mr. Antar to provide certain advisory services to the Company during the five-year period following Mr. Antar's term of full-time employment (the "Advisory Period"), for which

Mr. Antar will receive annual compensation in an amount equal to not less than 40% of his final base salary.

The Employment Agreement also provides that in the event of a change in control of the Company, Mr. Antar may terminate his term of full-time employment thereunder. In such event, unless (i) Mr. Antar accepts an employment agreement with the Company or any successor or (ii) such change in control was initiated by the Company or was supported from the outset by the Board of Directors of the Company and Mr. Antar is offered a contract at least as favorable as the Employment Agreement, Mr. Antar would be entitled for a period of five years after such termination to his annual compensation and to the other benefits provided for in the Employment Agreement during the term of his full-time employment, and thereafter to the compensation and other benefits he would otherwise be entitled to receive during the Advisory Period, or, in lieu thereof, to the present value of such compensation and benefits.

The Company pays Sam Antar, in consideration for his services as Executive Vice President of the Company, an annual base salary of $200,000. Mr. Antar also has agreed that no bonus compensation will be paid to him prior to, or for the period ending, June 1, 1985, and that his base salary will not be increased prior to such date.

Stock Option Plan

The Company's 1984 Stock Option Plan (the "Option Plan") was adopted by the Board of Directors and approved by the stockholders prior to the Initial Public Offering. A total of 250,000 shares of Common Stock are reserved for issuance under the Option Plan. The Option Plan provides for the granting to key employees of both "incentive stock options," within the meaning of section 422A of the Internal Revenue Code of 1954, as amended from time to time (the "Code"), and "nonqualified stock options."

The Option Plan provides for administration by a committee (the "Committee"), consisting of three persons appointed by the Board of Directors, which will determine, by unanimous vote, the key employees to be granted options under the Option Plan, the number of shares subject to each option and the option price, and which will specify whether options granted are incentive stock options or nonqualified stock options. Members of the Committee will not be eligible to receive options under the Option Plan. No options granted under the Option Plan will be transferable by the optionee other than by will or by the laws of descent and distribution, and each option will be exercisable, during the lifetime of the optionee, only by the optionee. Any options granted to an employee will terminate three months after the optionee's termination of employment except in cases of (i) disability occurring while employed or (ii) death while employed or within three months thereafter. No options may be granted under the Option Plan commencing ten years after adoption of the Option Plan.

The exercise price of any incentive stock option granted under the Option Plan shall be not less than the fair market value of the shares subject to the option on the date of grant. The exercise price of any nonqualified stock option granted under the Option Plan shall be not less than 85% of the fair market value of the shares subject to the option on the date of grant. The term of each option and the manner in which it may be exercised will be determined by the Committee, subject to the requirements that no option may be exercisable more than 10 years after the date of grant. With respect to any incentive stock option granted to an employee who owns stock possessing more than 10% of the voting rights of the Company's outstanding capital stock on the date of grant, the exercise price of the option must be at least equal to 110% of the fair market value of the shares subject to the option on the date of grant and the option may not be exercisable more than five years after the date of grant. The aggregate fair market value of the Common Stock (determined at the date of the option grant) for which any employee may be granted incentive stock options under the Option Plan in any calendar year may not exceed $100,000, plus certain permissible carryover allowances. The Option Plan permits the exercise of options either by a cash payment or, with the consent of the Committee, by surrender of shares of Common Stock, valued at fair market value at the date of surrender, or a combination of these methods.

As of the date of this Prospectus, there are outstanding nonqualified stock options to purchase an aggregate of 132,100 shares of the Company's Common Stock held by a total of three officers and 61

other employees. All of such options were granted on September 21, 1984 at an exercise price of $8.29 (being 85% of the closing bid price on such date for the Company's Common Stock as quoted on NASDAQ) and are exercisable in whole or in part at any time prior to their expiration on the tenth anniversary of the date of grant.

The only officers to whom nonqualified stock options have been granted are Eddy Antar (Treasurer), Mitchell Antar (Vice President–Purchasing) and Solomon E. Antar (Secretary and General Counsel), who were granted options to purchase 10,250 shares, 10,250 shares and 5,000 shares, respectively, in each case at $8.29 per share and otherwise exercisable as provided in the preceding paragraph.

The Company intends to file a registration statement under the Securities Act of 1933, as amended, with respect to the shares reserved for issuance under the Option Plan. See "Shares Eligible for Future Sale."

Money Purchase Pension Plan

The Company formerly maintained a money purchase pension plan (the "Money Purchase Plan") which was terminated effective as of May 31, 1984. All participants in the Money Purchase Plan at that date became fully vested in their account balances. Application has been made to the Internal Revenue Service for approval of the termination; upon receipt of such approval, all account balances held in trust under the Money Purchase Plan will be distributed to the participants. The Company contributed annually to the Money Purchase Plan, on behalf of each eligible participant, an amount equal to 25% of each participant's W-2 compensation for the immediately preceding calendar year. A portion of Company contributions was invested in insurance policies issued on the lives of the participants. The amounts accrued under the Money Purchase Plan for the accounts of the individuals and the group named in the table under "Executive Compensation" during the fiscal year ended May 31, 1984 were as follows: Eddie Antar, $25,425, Sam Antar, $25,425, Mitchell Antar, $23,612, Eddy Antar, $22,847, and the group, $105,309. In addition, the accounts of Deborah Antar and Rose Antar accrued $25,425 each.

Profit Sharing Plan

The Company has adopted, effective as of June 1, 1984, a profit sharing plan (the "Profit Sharing Plan") for all employees who have completed a year of service and attained age 21. The Company shall contribute annually to the Profit Sharing Plan an amount up to $1,000,000, out of the Company's net profits, to be determined by the Board of Directors in its sole discretion. Individual accounts will be established for each participant. Contributions and forfeitures shall be allocated to the accounts of participants who have completed a year of service and are employed by the Company on the last day of the plan year according to the proportion that each participant's total compensation from the Company for the plan year bears to the aggregate compensation of all participants for the plan year. The annual additions to a participant's account (including Company contributions, forfeitures and the lesser of participant contributions in excess of 6% of the participant's compensation or one-half of the participant's contributions) for any plan year are limited to the lesser of $30,000 or 25% of the participant's compensation.

A participant will vest in 30% of his account balance on the completion of three years of vesting service, increasing by 10% for each year of vesting service thereafter until full vesting occurs after ten years. A participant will become 100% vested in his account on his reaching age 65, his retirement due to disability, or his death. If a participant continues as an employee after reaching age 65, contributions will continue to be allocated to his account until his actual retirement. The nonvested portion of a terminated participant's account will be forfeited by him. By the terms of the Profit Sharing Plan, forfeitures are reallocated to the accounts of the remaining participants.

A participant may make voluntary contributions to a separate account, which shall not, when added to voluntary contributions made to any other plan of the Company, exceed 10% of the participant's base compensation for the plan year. The participant will at all times have a 100% nonforfeitable right in his voluntary contribution account.

Benefit distributions under the Profit Sharing Plan will be in the form of lump sums. Death benefit distributions may be delayed up to five years following the participant's death. A participant who terminates employment prior to age 65, disability or death, may receive his vested benefits on reaching 65, or his beneficiaries may receive benefits following his death. At the participant's request, the administrative committee, in its sole discretion, may allow the distribution of a terminated participant's vested benefits upon his termination from service. A year of service under the Profit Sharing Plan is a 12 consecutive month period during which an employee is credited with at least 1,000 hours of service. A year of vesting service under the Profit Sharing Plan is a plan year (June 1 to May 31) during which an employee is credited with at least 1,000 hours of service. Years of vesting service under the Profit Sharing Plan will include years of service credited under the terminated Money Purchase Plan.

Defined Benefit Pension Plan

The Company and its subsidiaries adopted a defined benefit pension plan (the "Pension Plan"), effective as of June 1, 1979, for all employees with at least six months of service who have attained age 24. The Company is required to make annual contributions to the Pension Plan in such amounts as are actuarially required to fund the benefits of the participants under the Pension Plan. As a result of the current funding status of the Pension Plan, it is anticipated that the Company will not be required to make any contributions to the Pension Plan for the next several years, and the Company further expects that it will discontinue the Pension Plan prior to the time contributions again become required.

At present, each participant who retires on his normal retirement date (the later of the June 1st nearest to his 65th birthday or the 10th anniversary of his entry into the Pension Plan) is entitled to a monthly pension benefit equal to 22.132% of his average monthly compensation (over his highest paid five consecutive year period of participation) in excess of $1,908. For purposes of the Pension Plan, "monthly compensation" includes bonuses, overtime and commissions, but excludes any deferred compensation. The participant's monthly pension benefit is reduced pro rata if the participant has been employed by the Company for less than 15 years at his normal retirement date. The Pension Plan provides a minimum monthly pension benefit of $20.00 for any participant who has accrued a benefit under the basic formula.

A participant who terminates employment before his normal retirement date vests in his accrued benefit as follows: 30% vesting after completion of three years of service, with an additional 10% vesting for each additional year of service until 100% vesting is achieved after ten years. All participants in the Pension Plan will become fully vested in their accrued benefits upon the termination or discontinuance of the Pension Plan. The Pension Plan provides a death benefit, funded by life insurance, equal to 100 times the monthly pension to which a participant is entitled. Benefit distributions to married participants will be in the form of a qualified joint and survivor annuity unless an optional benefit form is chosen. Optional benefit forms include a lump sum payment, other forms of annuity contracts, and substantially equal annual (or more frequent) installments over a specified period of time.

Participants may, but are not required to, make voluntary contributions to individual accounts established under the Pension Plan in an amount which, when added to voluntary contributions under all other Company plans, does not exceed 10% of the participant's compensation. Participants are always fully vested in their voluntary contribution account balances.

The estimated annual benefits payable to the individuals named in the table under "Executive Compensation," assuming retirement at their normal retirement dates, under the Pension Plan as currently in effect and based upon their compensation as reflected in such table, are as follows: Eddie Antar, $49,758, Sam Antar, $33,129, Mitchell Antar, $21,491, and Eddy Antar, $17,065. In addition, Deborah Antar and Rose Antar would each receive estimated benefits of $11,532.

For a discussion of the historical aggregate pension expense, see Note 5 of Notes to Consolidated Financial Statements.

CERTAIN TRANSACTIONS

Reorganization

In December 1983, all of the outstanding shares of Common Stock of Crazy Eddie, Inc., a New York corporation, were contributed to a newly organized Delaware corporation in exchange for 5,000 shares of its common stock. On September 13, 1984, prior to the consummation of the Initial Public Offering, the New York corporation was merged into the Delaware corporation, thereby changing the Company's corporate domicile to Delaware. In connection with the merger, the Company paid a stock dividend of 999 shares of Common Stock for each of the 5,000 shares of Common Stock outstanding, thereby effecting the equivalent of a 1,000-for-one stock split and increasing the number of shares of Common Stock outstanding immediately prior to the consummation of the Initial Public Offering to 5,000,000. A total of 1,700,000 shares of Common Stock were issued by the Company pursuant to the Initial Public Offering. See "Description of Capital Stock."

In 1980, the Company invested $1,500,000 in White Rim Oil and Gas Associates, 1980-II (the "Partnership"), a Utah limited partnership formed for the purpose of engaging in oil and gas exploration and development. Of such amount, $375,000 was paid in cash and $1,125,000 was represented by note obligations to the Partnership due during the period from 1992 through 1995 that bear non-recourse simple interest at the rate of 7% per annum. Because the Company believed that its investment in the Partnership represented a tax advantaged investment that was inappropriate for a publicly-owned corporation, prior to the consummation of the Initial Public Offering, the Company contributed its investment in the Partnership, which had a net carrying value of $140,000 at May 31, 1984, together with such note obligations and cash of $500,000 (which amount represented the estimated discounted present value of such note obligations, assuming the repayment of such obligations is not deferred), to a newly formed subsidiary of the Company, C.E. Holdings, Inc. ("Newco"), the stock of which was then transferred to Eddie Antar and Sam Antar. Newco in turn (i) assumed the Company's obligation to make payment of the note obligations (totaling $1,125,000) and (ii) indemnified the Company against any tax liabilities (including deficiencies, interest and penalties) that might be assessed against the Company if there were to be any disallowance on audit of the $1,351,000 of tax deductions previously taken by the Company with respect to such oil and gas partnership. Eddie Antar and Sam Antar have guaranteed the performance of the obligation of Newco to indemnify the Company against any such tax liabilities. The Company has been advised that the Partnership is currently under audit and, in the event that any of the tax deductions previously taken by the Company with respect to its investment in the Partnership are disallowed on audit, the Company believes that the maximum tax liability resulting from such disallowance would be approximately $550,000 plus interest. See Note 1 of Notes to Consolidated Financial Statements.

In addition, also prior to the consummation of the Initial Public Offering, the Company transferred to Eddie Antar and Sam Antar its interest in the "Brewer Venture," another oil and gas investment, in consideration of their payment to the Company of $5,000 (which amount represented the estimated current value of such investment as determined by an independent appraisal). The Company's contribution to this joint venture, which the Company also believed to be a tax advantaged investment that was inappropriate for a publicly owned corporation, consisted of its interest in an oil and gas mining lease covering certain land in Oklahoma. The Company paid $575,000 between 1980 and 1982 in connection with the acquisition and development of this property. Except as described in Note 1 of Notes to Consolidated Financial Statements, the Company does not believe that it now has, or that it may incur in the future, any liabilities in connection with this investment and, except as described therein, Eddie Antar and Sam Antar have agreed to indemnify the Company with respect to any such liabilities should they arise.

Other Transactions

Leases. The Company leases its Union, New Jersey store from Eddie Antar and Sam Antar. The lease expires on December 31, 1988 and provides for an annual rental of $94,000 for the year ending May 31, 1985 with increases of $10,000 per year thereafter. The Company believes that the terms of this lease are no less favorable to the Company than the terms of similar leases of other stores entered into by the Company in arm's-length transactions with unaffiliated parties. See "Business—Properties."

Beginning in July 1983, the Company leased certain premises located in Brooklyn, New York from Eddie Antar and Sam Antar. The Company had intended to use these premises for its new warehouse and corporate headquarters, but subsequently determined that these premises were inadequate for such purpose. The Company made rental payments aggregating $200,000 in respect of such lease for the period through February 20, 1984, at which time the lease was terminated. The Company also incurred net expenses of approximately $145,000 in connection with such premises.

Benel. Benel Distributors, Ltd. ("Benel"), a New York corporation wholly-owned by Ben Kuszer, Eddie Antar's brother-in-law, and Mr. Kuszer's wife, sells pre-recorded audio and video cassettes and records in each Crazy Eddie store pursuant to certain license agreements in each case entered into between the wholly-owned subsidiary of the Company operating the Crazy Eddie store (the "Licensor") and a wholly-owned subsidiary of Benel operating the concession in such store (the "Licensee"). Each license agreement is on a month-to-month basis, and may be terminated by the Licensor upon ten days' notice to the Licensee. Each Licensee pays a fixed monthly fee, ranging from $1,500 to $5,000, for the use of its premises. Such fees aggregated $318,000 and $347,000 for the fiscal years ended May 31, 1983 and 1984, respectively, and $311,000 for the six months ended November 30, 1984. In addition, pursuant to separate license agreements, each Licensor has agreed, subject to certain conditions, to permit its Licensee to use the marks "Crazy Eddie" and "Crazy Eddie Record and Tape Asylums," under which Benel operates its concessions.

Commencing during the Company's fiscal year ended May 31, 1983, the Company purchased audio and video tapes that were then sold to Benel. The Company's sales to Benel under this arrangement were $2,131,506 and $3,271,511 for the fiscal years ended May 31, 1983 and 1984, respectively. In addition, during the three-year period ended May 31, 1984, the Company loaned to Benel on an interest free basis for working capital purposes an aggregate of $743,767. The Company cannot determine precisely the maximum amount of loans outstanding on any particular date during these three years. The Company terminated its sales to Benel (other than the consignment sale referred to below) on May 31, 1984, at which time Benel owed the Company $2,590,612 in respect of sales and loans by the Company. Benel repaid this amount to the Company on October 1, 1984. The Company will not make any further loans to or guarantee any loans for Benel.

At May 31, 1984, the Company had on hand inventory intended for sale through Benel having a cost to the Company approximating $1,200,000. Although the Company retained title to such inventory, it was consigned to Benel for retail sale. During the six months ended November 30, 1984, Benel sold a portion of such inventory having a cost to the Company of $1,018,611. Such amount has been paid by Benel to the Company.

The Company intends to lease to Benel approximately 35,000 square feet of space in its new corporate headquarters in Edison, New Jersey at a fair market rent.

The Company does not sell for its own account any products sold by Benel, and therefore does not compete with Benel or any of its subsidiaries. The Benel concessions in each Crazy Eddie store are allocated between 450 and 2,476 square feet of retail space. Under the license agreements, Benel has committed to expend a minimum amount each month for advertising utilizing the "Crazy Eddie" and "Crazy Eddie Record and Tape Asylums" marks. For its fiscal years ended April 30, 1983 and 1984, Benel's gross advertising expenditures were $649,655 and $593,666, respectively, which amounts were substantially in excess of the minimum amounts required by the license agreements. The Company believes that its own operations have benefited from Benel's advertising, as well as from the customer traffic generated by the Benel concessions, and intends to offer Benel similar concessions in each of the Company's new stores.

Transactions with Other Related Companies. From time to time prior to May 31, 1984, the Company sold merchandise to and bought merchandise from, and made short-term loans for working capital purposes to, companies (other than Benel) controlled by Eddie Antar, Sam Antar or, in one instance, Ben Kuszer, Eddie Antar's brother-in-law (collectively, the "Other Related Companies"). The Other Related Companies include, among others, (i) Acousti-phase, Inc. ("Acousti-phase"), a New York corporation engaged in the manufacture of stereo speakers, (ii) Captain Video Enterprises, Inc. ("Captain Video"), a Florida corporation which, together with its subsidiaries, operates a chain of four retail stores located in southeast Florida that are operated under the Captain Video name and

engaged in the sale of home entertainment and consumer electronic products, (iii) Disc-O-Mat, Inc. ("Disc-O-Mat"), a New York corporation which, together with its subsidiaries, operates a chain of six retail stores located in New York City and New Jersey that sell pre-recorded cassettes and records, (iv) S&M Discount Center, Inc. ("S&M Discount"), a New Jersey corporation which operates two stores located in Jersey City, New Jersey that sell home entertainment and consumer electronic products and (v) the University of St. Lucia School of Medicine, Ltd. (the "University"), a corporation chartered under the laws of St. Lucia which operated a medical school on the island of St. Lucia which has since closed, and Educators International, Inc., a New York corporation that was employed to provide recruiting and other services to the University. For the most part, the Company derived no benefit from any advances made to affiliated entities. The Company does not compete with Acousti-phase or Disc-O-Mat, and does not regard S&M Discount as a significant competitor. Because the Captain Video stores are located in a different geographic region than the Crazy Eddie stores, the Company does not regard Captain Video as a competitor. Eddie Antar does not devote a substantial amount of time to the business of any of the Other Related Companies, and does not intend to do so in the future.

For the three years ended May 31, 1984, the Company sold to, and purchased from, all of the Other Related Companies, including the companies referred to in the preceding paragraph, merchandise in the aggregate amounts of $1,605,000 and $1,539,000, respectively, and loaned on an interest-free basis to all of such companies an aggregate of $4,105,000. For a tabular summary of amounts due from the Other Related Companies during the years ended May 31, 1982, 1983 and 1984, respectively, see Annex I to this Prospectus.

Because the Company did not regularly post its accounts on a monthly basis during the subject three-year period, it is not possible to determine at specific dates during the period the exact amount of loans then outstanding. At May 31, 1984, however, the Company was owed an aggregate of $3,148,662 by the Other Related Companies, including certain open accounts. All amounts owed by the Other Related Companies to the Company upon the consummation of the Initial Public Offering were repaid in full at such time by Eddie Antar and Sam Antar out of their respective shares of the net proceeds of such offering. In exchange for such repayment, Eddie Antar and Sam Antar received an assignment of, and became subrogated to, the rights of the Company against the Other Related Companies. Since May 31, 1984, the Company has not sold to or purchased from, or made any loans to, any of the Other Related Companies, and the Company does not intend to do so in the future, other than with respect to Acousti-phase, from which the Company may continue to purchase stereo speakers at terms no less favorable than could be obtained from third parties. Acousti-phase products sold by the Company have not in the past represented a significant portion of the total volume of the Company's speaker sales, and the Company does not expect its sales of Acousti-phase products to be a significant portion of the Company's future sales. See Note 10 of Notes to Consolidated Financial Statements.

Other Loans and Guaranties. Prior to the consummation of the Initial Public Offering, the Company frequently made loans on an interest-free basis to Eddie Antar, Sam Antar and members of their family to meet family needs. For a tabular summary of amounts receivable in respect of such loans during the years ended May 31, 1982, 1983 and 1984, respectively, see Annex I to this Prospectus. For the reasons stated above, the Company is not able to determine precisely the maximum amount outstanding at any time during the three years ended May 31, 1984 with respect to these loans. An aggregate of $186,450 owed by Eddie Antar and Sam Antar to the Company was offset against compensation paid to such persons for fiscal 1984 and is reflected as compensation in the table appearing in "Management—Executive Compensation." At May 31, 1984, Eddie Antar and Sam Antar were indebted to the Company in the amount of $50,000 and, in May 1984, the Company made an interest-free loan to Solomon E. Antar, Secretary and General Counsel of the Company, in the amount of $237,500. These amounts have been repaid.

The Company will not make any additional loans or advances of any kind in the future to Eddie Antar, Sam Antar or members of their family. In addition, the Company will not make loans to any other officer, except in the ordinary course of business, or otherwise with the approval of a disinterested majority of independent directors and, in the case of loans other than in the ordinary course of business, provided such loans are fully disclosed in subsequent reports to stockholders. The Company derived no benefit from loans to Eddie Antar and Sam Antar.

In April 1980, the Company loaned $100,000 to a trust in which Eddie Antar and Sam Antar have a 50% beneficial interest. This loan is for a term of five years, bears interest at 18% per annum, matures on April 1, 1985 and is secured by a mortgage on certain property located in Florida. At May 31, 1984, $31,000 was owing to the Company on this mortgage, the repayment of which has been guaranteed by Eddie Antar.

In September 1978, the Company guaranteed borrowings by Eddie Antar and Sam Antar in the amount of $400,000 in connection with their purchase of property in Union, New Jersey which is leased to the Company. In May 1982, the Company guaranteed borrowings by Shoe Time, Inc., a corporation that is controlled by Sam Antar and that has filed a petition under the federal bankruptcy laws, in the amount of $500,000, of which $455,556 remained outstanding at May 31, 1984. The Company has been released from these obligations and, in the case of the loan to Shoe Time, Sam Antar substituted his personal guaranty. The Company will not in the future guarantee the obligations of Eddie Antar, Sam Antar or members of their family.

The Company will not engage in transactions with officers, directors, controlling persons and others affiliated with them unless such transactions are on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock immediately prior to the offering made hereby, and adjusted to reflect the sale of the shares of Common Stock offered by this Prospectus, by (a) Eddie Antar and Sam Antar, who are the only persons known by the Company to own beneficially more than 5% of the Company's Common Stock; (b) Mitchell and Robin Antar, Allen and Jill Antar, and Ben and Ellen Kuszer, who, together with Eddie Antar and Sam Antar, are offering for sale shares of Common Stock pursuant to this Prospectus (collectively, the "Selling Stockholders"); (c) each of the Company's directors who own shares of the Company's Common Stock; and (d) all directors and officers of the Company as a group. Unless otherwise noted in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

Beneficial Owner	Shares Owned Prior to the Offering		Number of Shares Being Offered	Shares to Be Owned After the Offering	
	Number	Percentage		Number	Percentage
Eddie Antar(1)	3,468,330(2)	51.8	690,000(3)(4)	2,778,330(5)	40.3(6)
Sam Antar(1)	706,670	10.5	150,000	556,670	8.1
Mitchell and Robin Antar	70,250(7)	1.0	60,000	10,250	.1
Allen and Jill Antar	70,250(8)	1.0	50,000	20,250	.3
Ben and Ellen Kuszer(9)	70,000	1.0	50,000	20,000	.3
Eddy Antar	28,250(10)	.4	—	28,250	.4
James H. Scott, Jr.	1,000	—	—	1,000	—
Directors and officers as a group (seven persons)	4,279,500(11)	63.6	1,000,000	3,379,500	48.8(6)

(1) The business address of Eddie Antar, Chairman of the Board, President and Chief Executive Officer of the Company, and Sam Antar, Executive Vice President and a director of the Company, is 2845 Coney Island Avenue, Brooklyn, New York.

(2) Includes (i) 2,688,330 shares owned directly, (ii) 480,000 shares held by Eddie Antar as custodian for the benefit of Eddie Antar's minor nephews and nieces and (iii) 300,000 shares held by Deborah Antar as custodian for Eddie Antar's minor children. Eddie Antar disclaims beneficial ownership of the shares referred to in clauses (ii) and (iii) above.

(footnotes continued on next page)

(footnotes continued from previous page)

(3) Includes (i) 450,000 shares owned by Eddie Antar directly, (ii) 45,000 shares held by Eddie Antar as custodian for Rose M. Antar, (iii) 45,000 shares held by Eddie Antar as custodian for Sam M. Antar, (iv) 25,000 shares held by Eddie Antar as custodian for Rori Antar, (v) 25,000 shares held by Eddie Antar as custodian for Sam A. Antar, (vi) 25,000 shares held by Eddie Antar as custodian for Michelle Antar, (vii) 25,000 shares held by Eddie Antar as custodian for Adam Kuszer, (viii) 25,000 shares held by Eddie Antar as custodian for Sam Kuszer and (ix) 25,000 shares held by Eddie Antar as custodian for Simon Kuszer. Rose M. Antar and Sam M. Antar are minor children of Mitchell Antar and his wife Robin Antar. Rori Antar, Sam A. Antar and Michelle Antar are minor children of Allen Antar and his wife Jill Antar. Adam Kuszer, Sam Kuszer and Simon Kuszer are minor children of Ben Kuszer and his wife Ellen Kuszer. See footnotes (7), (8) and (9) below.

(4) Assumes that the Underwriters over-allotment option is not exercised. If such option is exercised in full, the number of shares being offered will include an additional 150,000 shares owned by Eddie Antar directly.

(5) Includes (i) 2,238,330 shares to be owned by Eddie Antar directly (assuming no exercise of the Underwriters' over-allotment option), (ii) 240,000 shares to be held by Eddie Antar as custodian for the benefit of Eddie Antar's minor nephews and nieces and (iii) 300,000 shares to be held by Deborah Antar as custodian for Eddie Antar's minor children. Eddie Antar disclaims beneficial ownership of the shares referred to in clauses (ii) and (iii) above.

(6) Assumes that the Underwriters over-allotment option is not exercised. If such option is exercised in full, Eddie Antar and all directors and officers as a group will own 38.1% and 46.6%, respectively, of the shares outstanding after the offering.

(7) Includes 10,250 shares issuable upon the exercise of currently exercisable options held by Mitchell Antar. Mitchell Antar and his wife Robin Antar have shared voting and investment power with respect to the outstanding shares of Common Stock included in the table. Mitchell Antar is a brother of Eddie Antar.

(8) Includes 10,250 shares issuable upon the exercise of currently exercisable options held by Allen Antar. Allen Antar and his wife Jill Antar have shared voting and investment power with respect to the outstanding shares of Common Stock included in the table. Allen Antar is a brother of Eddie Antar.

(9) Ben Kuszer and his wife Ellen Kuszer have shared voting and investment power with respect to the shares of Common Stock included in the table. Ellen Kuszer is the sister of Eddie Antar.

(10) Includes 10,000 shares owned by Eddy Antar directly, 6,000 shares owned by Eddy Antar jointly with his wife and 2,000 shares owned by Eddy Antar's wife directly. Also includes 10,250 shares issuable upon the exercise of currently exercisable options held by Eddy Antar. Eddy Antar and his wife have shared voting and investment power with respect to 8,000 of the outstanding shares of Common Stock included in the table.

(11) Includes 25,500 shares issuable upon the exercise of currently exercisable options. See footnotes (7) and (10) above.

By virtue of their beneficial ownership of Common Stock and their positions as executive officers and directors of the Company, Eddie Antar and Sam Antar may each be deemed to be a "parent" of the Company within the meaning of the rules and regulations of the Securities and Exchange Commission.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, par value $.01 per share, and 5,000,000 shares of Preferred Stock, par value $1.00 per share. After the sale

of the 200,000 shares of Common Stock offered by the Company hereby, there will be outstanding 6,900,000 shares of Common Stock. There are no shares of Preferred Stock outstanding.

Common Stock

Holders of shares of Common Stock are entitled to one vote per share in all matters to be voted on by stockholders, and are entitled to dividends and other distributions as and when declared by the Board of Directors out of assets legally available therefor. See "Dividends." Upon the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share pro rata in the distribution of all of the Company's assets, subject to existing claims of creditors and the rights of the holders of any then outstanding Preferred Stock. The holders of Common Stock have no preemptive rights to purchase shares of stock of the Company, and they are not entitled to the benefits of any sinking fund provision. Shares of Common Stock of the Company are not subject to any redemption provisions, and are not convertible into any other security or other property of the Company. All outstanding shares of Common Stock are fully paid and non-assessable.

Preferred Stock

The Board of Directors is empowered under the Company's Certificate of Incorporation and without further stockholder action to divide any or all shares of the Preferred Stock into series and to fix and determine the relative rights and preferences of the shares of any series so established. The issuance of Preferred Stock by the Board of Directors could affect the rights of holders of shares of Common Stock. For example, issuance of the Preferred Stock could result in a class of securities outstanding that will have certain preferences with respect to dividends and in liquidation over the Common Stock, and may enjoy certain voting rights, contingent or otherwise, in addition to that of the Common Stock, and could result in the dilution of the voting rights, net income per share and net book value of the Common Stock. Shares of Preferred Stock issued by the Board of Directors could be utilized, under certain circumstances, as a method of preventing a takeover of the Company. As of the date of this Prospectus, the Board of Directors has not authorized any series of Preferred Stock. There are no agreements or understandings for the issuance of any shares of Preferred Stock.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Stock is Bank Leumi Trust Company of New York.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have outstanding 6,900,000 shares of Common Stock. Of these shares, the 1,200,000 shares sold in this offering (assuming no exercise of the Underwriters' over-allotment option) and the 2,300,000 shares sold in the Initial Public Offering will be freely tradeable without restriction under the Securities Act of 1933, as amended (the "Securities Act"). Of the remaining 3,400,000 shares, the 3,372,500 shares that have not already been sold will continue to be eligible for public sale if registered under the Securities Act or if sold in accordance with Rule 144 thereunder. The Selling Stockholders have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of the Representative of the Underwriters, sell, contract to sell or otherwise dispose of any shares of Common Stock or other equity securities of the Company (other than by gift to any person who agrees not to so sell, or by operation of law), except as contemplated herein. See "Underwriting." In general, under Rule 144, a person (or persons whose shares are required to be aggregated) who has beneficially owned shares for at least two years, including persons who may be deemed affiliates of the Company as the term "affiliate" is defined under the Securities Act, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock (69,000 shares immediately following the offering made hereby) or the average weekly reported trading volume of the shares during the four calendar weeks preceding such sale. A person (or persons whose shares are aggregated) who is not deemed an affiliate of the Company and who has beneficially owned shares

for at least three years is entitled to sell shares under Rule 144 without regard to the volume limitations described above.

Because the Selling Stockholders and other stockholders of the Company who acquired their shares prior to the Initial Public Offering are deemed for purposes of Rule 144 to have beneficially owned their shares of Common Stock since the date Eddie Antar and Sam Antar acquired the shares of Crazy Eddie, Inc. which they exchanged for shares of Common Stock in December 1983 (see "Certain Transactions—Reorganization"), all of the shares of Common Stock beneficially owned by them that were acquired prior to the Initial Public Offering are eligible for sale under Rule 144 or, in the case of the Selling Stockholders, will be so eligible after the expiration of the 180-day period from the date of this Prospectus referred to above.

The Company intends to file a registration statement under the Securities Act to register the shares issuable under its 1984 Stock Option Plan. See "Management—Stock Option Plan." Shares issued (other than to affiliates) upon exercise of options after the date such registration statement becomes effective (which is expected to be during April 1985) generally will be available for sale in the open market.

No prediction can be made as to the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock of the Company in the public market could adversely affect prevailing market prices.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement among the Company, the Selling Stockholders and the Representative of the Underwriters, the Underwriters named below have severally agreed to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to the Underwriters, the respective numbers of shares of Common Stock set forth opposite their names below:

Underwriter	Number of Firm Shares
Oppenheimer & Co., Inc.	504,000
Bear, Stearns & Co.	48,000
Alex. Brown & Sons, Inc.	48,000
Donaldson, Lufkin & Jenrette Securities Corporation	48,000
Goldman, Sachs & Co.	48,000
E. F. Hutton & Company Inc.	48,000
Kidder, Peabody & Co., Incorporated	48,000
Lazard Freres & Co.	48,000
Morgan Stanley & Co. Incorporated	48,000
PaineWebber Incorporated	48,000
Prudential-Bache Securities Inc.	48,000
L.F. Rothschild, Unterberg, Towbin	48,000
Smith Barney, Harris Upham & Co. Incorporated	48,000
Dean Witter Reynolds Inc.	48,000
A. G. Edwards & Sons, Inc.	36,000
Thomson McKinnon Securities Inc.	36,000
Total	1,200,000

The Underwriting Agreement provides that the obligations of the several Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The nature of the Underwriters' obligations is such that they are committed to purchase all the above shares of Common Stock if any are purchased.

The Underwriters, for whom Oppenheimer & Co., Inc. is acting as Representative (the "Representative"), propose to offer the shares of Common Stock directly to the public at the public

offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of $.70 per share of Common Stock. The Underwriters may allow and such dealers may reallow a concession not in excess of $.087 per share to certain other dealers. After the initial public offering, the offering price and other selling terms may be changed by the Representative.

If the Underwriters exercise their 30-day over-allotment option referred to on the cover page of this Prospectus to purchase from Eddie Antar any of the 150,000 additional shares of Common Stock covered by the option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it as shown in the above table bears to the 1,200,000 shares of Common Stock offered hereby. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the 1,200,000 shares of Common Stock offered hereby.

The Company and the Selling Stockholders have agreed that they will not sell, contract to sell or otherwise dispose of any equity securities of the Company (other than by gift to any person who agrees not to so sell, or by operation of law) for a period of 180 days after the date of this Prospectus without the written consent of the Representative, except for the shares offered hereby.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

In September 1984, the Representative served as managing underwriter of the Initial Public Offering of 2,300,000 shares of Common Stock offered by the Company, Eddie Antar and Sam Antar. In connection therewith, the Representative purchased warrants to purchase an aggregate of 75,000 shares of Common Stock at a price of $9.60 per share for $1.00 each. The warrants become exercisable on September 20, 1985 and expire on September 20, 1989.

CERTAIN LEGAL MATTERS

Certain legal matters with respect to the Common Stock offered hereby will be passed upon for the Company by Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, New York 10154, and for the Underwriters by Cahill Gordon & Reindel (a partnership including professional corporations), 80 Pine Street, New York, New York 10005.

EXPERTS

The consolidated financial statements included in this Prospectus and the financial statement schedules included in the Registration Statement of which this Prospectus is a part have been examined by Main Hurdman, independent accountants, as of and for the years ended May 31, 1983 and 1984, and by Penn and Horowitz, independent accountants, as of and for the year ended May 31, 1982, and have been so included in reliance on their respective reports given on their authority as experts in auditing and accounting. The selected consolidated financial data appearing under the caption "Selected Consolidated Financial Data" as of and for the years ended May 31, 1983 and 1984 and as of and for the years ended May 31, 1980, 1981 and 1982 have been derived from consolidated financial statements of the Company examined by Main Hurdman and Penn and Horowitz, respectively, and have been so included in reliance on their respective reports given on their authority as experts in auditing and accounting.

CRAZY EDDIE, INC. AND SUBSIDIARIES

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Consolidated Statement of Changes in Stockholders' Equity for the three years ended May 31, 1984 and the six months ended November 30, 1984 (unaudited) F-6

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Crazy Eddie, Inc.

We have examined the consolidated balance sheet of Crazy Eddie, Inc. and subsidiaries as of May 31, 1983 and 1984, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Crazy Eddie, Inc. and subsidiaries at May 31, 1983 and 1984, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In our opinion, the information set forth in "Selected Consolidated Financial Data" as of and for the years ended May 31, 1983 and 1984, appearing on page 10 of this Prospectus, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

MAIN HURDMAN

New York, New York
August 15, 1984
(except as to Note 11(a)
which is as of August 28, 1984
and Notes 1 and 10 which are
as of September 13, 1984)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Crazy Eddie, Inc.

We have examined the consolidated balance sheet of Crazy Eddie, Inc. and subsidiaries as of May 31, 1982 (not separately presented), and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Crazy Eddie, Inc. and subsidiaries at May 31, 1982, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also previously examined, in accordance with generally accepted auditing standards, the consolidated balance sheet of Crazy Eddie, Inc. and subsidiaries as of May 31, 1980 and 1981, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the years then ended (none of which are presented herein); and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in "Selected Consolidated Financial Data" as of and for the years ended May 31, 1980, 1981 and 1982, appearing on page 10 of this Prospectus, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

PENN and HOROWITZ

Carle Place, New York
September 12, 1982
(except as to Note 1 which is as of
September 13, 1984)

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	May 31, 1983	May 31, 1984	November 30, 1984 (Unaudited)
ASSETS			
Current assets:			
Cash	$ 2,349,740	$ 1,375,470	$ 2,130,727
Short-term investments			9,899,915
Due from American Express Co. (Note 9)	834,378	996,020	1,452,299
Miscellaneous receivables (Note 9)	366,610	1,607,456	939,727
Merchandise inventories (Note 2)	15,304,708	23,343,346	31,113,966
Prepaid expenses and other current assets	94,388	350,171	934,788
Deferred public offering costs	—	164,302	—
Total current assets	18,949,824	27,836,765	46,471,422
Due from affiliates (Note 10)	2,884,565	5,739,274	9,309
Furniture, fixtures, equipment and leasehold improvements at cost, less accumulated depreciation and amortization of $1,071,138, $1,475,650 and $1,748,874 (Note 3)	1,827,336	1,844,305	2,774,097
Construction in process			998,703
Other assets:	1,045,525	1,645,058	1,431,526
	$24,707,250	$37,065,402	$51,685,057
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable—banks and other (Note 7)	$ —	$ 3,395,868	$ 3,817,281
Current maturities of long-term liabilities	129,516	124,299	124,004
	129,516	3,520,167	3,941,285
Loans payable—officers (Note 10)	1,967,946	—	—
Accounts payable	14,908,251	21,227,061	23,588,468
Accrued liabilities:			
Sales tax payable	670,149	724,498	1,045,451
Compensation and payroll taxes	619,635	258,561	356,980
Pension	2,107,095	—	400,000
Income taxes payable	1,283,130	5,064,698	1,685,260
Total current liabilities	21,685,722	30,794,985	31,017,444
Long-term liabilities, less current maturities (Note 8)	70,229	46,402	108,725
Commitments and contingencies (Notes 6 and 11)			
Stockholders' equity (Notes 1 and 11):			
Preferred stock—par value $1.00 per share, authorized 5,000,000 shares, none issued	—	—	
Common stock—par value $.01 per share, authorized 15,000,000 shares, outstanding 5,000,000, 5,000,000 and 6,700,000, respectively	50,000	50,000	67,000
Additional paid-in capital	573,506	573,506	12,370,293
Retained earnings	2,327,793	5,600,509	8,121,595
Total stockholders' equity	2,951,299	6,224,015	20,558,888
	$24,707,250	$37,065,402	$51,685,057

The accompanying notes are an integral part of these financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended May 31,			Six Months Ended November 30,	
	1982	1983	1984	1983	1984
				(Unaudited)	
Net sales	$98,224,725	$111,405,591	$137,285,317	$58,208,920	$71,028,056
Cost of goods sold	76,753,876	87,718,556	106,934,607	45,129,241	54,691,961
Gross profit	21,470,849	23,687,035	30,350,710	13,079,679	16,336,095
Selling, general and administrative expense	18,061,274	19,194,216	22,560,042	10,212,170	11,151,768
	3,409,575	4,492,819	7,790,668	2,867,509	5,184,327
Other income (Note 6)	747,893	593,565	705,655	321,633	593,046
Interest expense	(753,671)	(449,612)	(521,607)	(239,863)	(125,287)
Income before pension contribution and income taxes	3,403,797	4,636,772	7,974,716	2,949,279	5,652,086
Pension contribution (Note 5)	2,377,101	2,507,095	—	—	400,000
Income before income taxes	1,026,696	2,129,677	7,974,716	2,949,279	5,252,086
Income taxes (Note 4)	554,415	1,235,000	4,202,000	1,586,000	2,731,000
Net income	$ 472,281	$ 894,677	$ 3,772,716	$ 1,363,279	$ 2,521,086
Earnings per share (Note 2)	$.09	$.18	$.75	$.27	$.44
Weighted average number of shares	5,000,000	5,000,000	5,000,000	5,000,000	5,727,722

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended May 31, 1982, 1983 and 1984

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, June 1, 1981	$50,000	$ 573,506	$ 960,835	$ 1,584,341
Net income	—	—	472,281	472,281
Balance, May 31, 1982	50,000	573,506	1,433,116	2,056,622
Net income	—	—	894,677	894,677
Balance, May 31, 1983	50,000	573,506	2,327,793	2,951,299
Net income	—	—	3,772,716	3,772,716
Effect of deemed dividend (Note 1)	—	—	(500,000)	(500,000)
Balance, May 31, 1984	50,000	573,506	5,600,509	6,224,015
Net income—six months ended November 30, 1984	—	—	2,521,086	2,521,086
Issuance of 1,700,000 shares (net of issuance costs)	17,000	11,796,787	—	11,813,787
Balance, November 30, 1984 (Unaudited)	$67,000	$12,370,293	$8,121,595	$20,558,888

The accompanying notes are an integral part of these financial statements.

CRAZY EDDIE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended May 31,			Six Months Ended November 30,	
	1982	1983	1984	1983	1984
				(Unaudited)	
Working capital provided from:					
Net income	$ 472,281	$ 894,677	$3,772,716	$1,363,279	$ 2,521,086
Add charges not affecting working capital:					
Depreciation and amortization	239,655	327,492	410,385	192,045	273,224
Loss on disposal of furniture, fixtures, equipment and leasehold improvements	—	—	28,751	—	—
Working capital provided from operations	711,936	1,222,169	4,211,852	1,555,324	2,794,310
Reduction in advances to affiliates	2,394,365	1,347,838	4,639,130	3,006,400	5,739,274
Decrease in loans receivable	742,638	—	—	—	—
Decrease in other assets	—	—	—	106,510	213,532
Issuance of Common Stock less issuance costs of $1,803,213	—	—	—	—	11,813,787
Insurance proceeds	—	—	14,243	—	—
Increase in long term debt	—	—	—	—	62,323
Total working capital provided	3,848,939	2,570,007	8,865,225	4,668,234	20,623,226
Working capital used for:					
Deemed dividend (Note 1)	—	—	500,000	—	—
Advances and sales to affiliates, net	2,222,308	3,069,879	7,493,839	3,801,810	9,309
Reduction in long-term liabilities	126,118	36,673	23,827	6,614	—
Acquisition of furniture, fixtures, equipment and leasehold improvements	378,967	492,355	470,348	195,500	1,203,016
Construction in process	—	—	—	—	998,703
Increase in other assets	248,662	117,963	599,533	—	—
Total working capital used	2,976,055	3,716,870	9,087,547	4,003,924	2,211,028
Increase (decrease) in working capital	$ 872,884	($1,146,863)	($ 222,322)	$ 664,310	$18,412,198
Changes in working capital consisted of:					
Increase (decrease) in current assets:					
Cash	$2,768,104	($ 733,995)	($ 974,270)	$ 997,977	$ 755,257
Short term investments				—	9,899,915
Due from American Express Co.	654,360	180,018	161,642	365,763	456,279
Miscellaneous receivables	569,443	(850,589)	1,240,846	233,390	(667,729)
Merchandise inventories	1,918,817	2,747,740	8,038,638	7,325,810	7,770,620
Prepaid expenses and other current assets	(265,760)	(75,169)	255,783	(47,988)	584,617
Deferred public offering costs	—	—	164,302	—	(164,302)
	5,644,964	1,268,005	8,886,941	8,874,952	18,634,657
Increase (decrease) in current liabilities:					
Loans payable—officers and other	—	1,967,946	(1,967,946)	(436,257)	—
Notes payable	1,435,881	(4,909,672)	3,390,651	2,895,868	421,118
Accounts payable	1,590,326	3,326,351	6,318,810	5,280,749	2,361,407
Accrued liabilities	1,456,952	1,166,269	(2,413,820)	(1,115,718)	818,372
Income taxes payable	288,921	863,974	3,781,568	1,586,000	(3,379,438)
	4,772,080	2,414,868	9,109,263	8,210,642	222,459
Increase (decrease) in working capital	$ 872,884	($1,146,863)	($ 222,322)	$ 664,310	$18,412,198

The accompanying notes are an integral part of these financial statements.

1—Reorganization

In December 1983, the stockholders of Crazy Eddie, Inc., a New York corporation, contributed all of the outstanding shares of common stock of Crazy Eddie, Inc. to a newly organized Delaware corporation in exchange for 5,000 shares of its Common Stock. Prior to the consummation of the Company's initial public offering in September 1984 (the "Initial Public Offering"), the New York corporation was merged into the new Delaware corporation (the "Company"). In connection with the merger, the Company declared a stock dividend of 999 shares of Common Stock for each of the 5,000 shares of Common Stock outstanding, which increased the number of outstanding shares of Common Stock to 5,000,000 shares. Pursuant to the Initial Public Offering, the Company sold to the public 1,700,000 shares of Common Stock (including 300,000 shares pursuant to an over-allotment option granted to the underwriters) at a price of $8 per share.

Prior to the consummation of the Initial Public Offering, the Company contributed an investment in an oil and gas limited partnership (the "Partnership") with a net carrying value of $140,000 at May 31, 1984, together with note obligations of $1,125,000 and cash of approximately $500,000 (which amount represented the estimated discounted present value of such note obligations), to a newly formed subsidiary of the Company, C.E. Holdings, Inc. ("Newco"), the stock of which was then transferred to Eddie Antar and Sam Antar. The cash transfer of approximately $500,000 has been accounted for as a deemed dividend in the accompanying consolidated financial statements. In addition, the Company will recognize taxable income of approximately $625,000 (which represents the excess of the $1,125,000 face amount of the note obligation over the $500,000 cash transfer) in connection with such contribution and believes that the tax payable with respect to such taxable income will approximate $200,000. Such amount has been included in income taxes payable as of May 31, 1984. The Company has been advised that the Partnership is currently under audit by the Internal Revenue Service and, in the event that any of the tax deductions previously taken by the Company with respect to its investment in the Partnership are disallowed on audit, the Company believes that the maximum tax liability resulting from such disallowance would be approximately $550,000 plus interest. Newco has indemnified the Company against any tax liability (including deficiencies, interest and penalties) that may be assessed against the Company in connection with any such disallowance, and Eddie Antar and Sam Antar have guaranteed the performance of Newco's indemnification obligation.

In addition, also prior to the consummation of the Initial Public Offering, the Company transferred to Eddie Antar and Sam Antar another oil and gas investment in consideration of the payment by them to the Company of $5,000, which amount represented the estimated current value of such investment as determined by an independent appraisal. Eddie Antar and Sam Antar have indemnified the Company with respect to any liabilities in connection with this investment, other than with respect to the deduction of approximately $270,000 (which amount represents the Company's allocable share of the losses generated by this investment) taken by the Company during the year ended May 31, 1982 in respect of such investment. The Company believes that it has adequately provided against the possibility of such deduction being disallowed, and does not believe that it now has, or that it may incur in the future, any other liabilities in connection with this investment.

The foregoing transactions have been accounted for in a manner similar to a pooling of interests pursuant to Accounting Principles Board Opinion No. 16. Accordingly, the financial statements for all periods presented have been restated to retroactively reflect the reorganization and stock dividend.

2—Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as Crazy Eddie, Inc. or the Company), all of which are wholly-owned.

Inventories

Merchandise inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market. Purchase discounts and trade allowances are recognized when received.

In accordance with industry practice, a substantial portion of the merchandise inventory has been purchased from suppliers under credit terms which grant the creditor a security interest in the inventory through the use of trust receipts.

Furniture, Fixtures, Equipment and Leasehold Improvements

Furniture, fixtures, equipment and leasehold improvements are carried at cost. Depreciation and amortization are computed using the straight-line method, based on the estimated useful lives of the assets. The rates used are as follows:

Furniture and fixtures including capitalized equipment leases and warehouse equipment	10%–20%
Automobiles and trucks	33⅓%
Leasehold improvements	Lesser of life of lease or useful life of improvement

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized.

Pensions

The Company funds currently the costs of its noncontributory pension plans, which cover eligible employees.

Income Taxes

The Company files a consolidated federal income tax return with its subsidiaries.

Investment tax credits are accounted for as a reduction of income tax expense in the year in which such credits are allowable for income tax purposes. Income tax expense for the period prior to the reorganization discussed in Note 1 has been computed as if the group being reported upon filed a separate consolidated return.

Deferred Public Offering Costs

Costs incurred in connection with the Initial Public Offering have been deferred, and were charged to paid-in capital upon the consummation of the offering.

Earnings Per Share

Earnings per share were computed by dividing net income by weighted average number of shares of outstanding Common Stock, after giving retroactive effect to the reorganization described under "Certain Transactions—Reorganization" and after giving effect to the issuance of 1,700,000 shares of

2—Summary of Significant Accounting Policies (Continued)

Common Stock in September 1984 pursuant to the Initial Public Offering. The stock options and warrants outstanding during the six months ended November 30, 1984 did not enter into the computation because they were not dilutive during that period.

Interim Financial Information

The financial information for the six months ended November 30, 1983 and 1984 is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and changes in financial position for the interim periods.

3—Furniture, Fixtures, Equipment and Leasehold Improvements

Furniture, fixtures, equipment and leasehold improvements consist of:

	May 31,		November 30, 1984
	1983	1984	
Furniture and fixtures	$ 596,627	$ 659,702	$ 727,829
Office and warehouse equipment	793,533	870,272	1,111,870
Automobiles and trucks	30,502	30,725	23,913
Leasehold improvements	1,315,752	1,597,196	2,497,299
Capitalized leases	162,060	162,060	162,060
	2,898,474	3,319,955	4,522,971
Less accumulated depreciation and amortization	1,071,138	1,475,650	1,748,874
	$1,827,336	$1,844,305	$2,774,097

4—Taxes

Income tax expense consists of:

	Year Ended May 31,		
	1982	1983	1984
Current:			
Federal	$375,452	$ 802,000	$3,287,000
State and local	178,963	433,000	915,000
	$554,415	$1,235,000	$4,202,000

Reconciliations between actual tax expense and the amount computed by applying the statutory U.S. federal income tax rate to income taxes are as follows:

4—Taxes (Continued)

	Year Ended May 31,					
	1982		1983		1984	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Computed expected tax expense	$472,280	46.0	$ 979,651	46.0	$3,668,500	46.0
State and local taxes, net of federal income tax benefit	96,640	9.4	233,820	11.0	494,100	6.2
Investment tax credits	(17,399)	(1.7)	(11,000)	(0.5)	(15,000)	(.2)
Officers' life insurance expense	36,180	3.5	105,800	5.0	86,480	1.0
Charitable contributions	6,058	.6	(79,956)	(3.8)	(11,080)	(.1)
Other	(39,344)	(3.8)	6,685	.3	(21,000)	(.3)
	$554,415	54.0	$1,235,000	58.0	$4,202,000	52.6

The federal income tax returns of the Company for each of the four years in the period ended May 31, 1984 have not been examined by the Internal Revenue Service. In the opinion of management, the results of any examination will not have a material impact on the financial statements.

Income tax expense for the six months ended November 30, 1983 and 1984 has been based on management's estimate of the annualized effective tax rate.

5—Pension Plans

The Company maintains a money purchase pension plan covering substantially all employees. Pursuant to the plan, the Company contributes a specified percentage (25%) of covered compensation to the plan for eligible employees (as defined in the plan). In addition, the Company has a defined benefit pension plan covering certain eligible employees (as defined in the plan) and a profit sharing plan, as described below. The aggregate pension expense for each plan was as follows for the periods indicated below:

	Year Ended May 31,			Six Months Ended November 30,	
	1982	1983	1984	1983	1984
Profit sharing plan	$ —	$ —	$ —	$ —	$400,000
Money purchase pension plan	2,156,833	2,243,521	-0-	-0-	-0-
Defined benefit pension plan	220,268	263,574	-0-	-0-	-0-
	$2,377,101	$2,507,095	$ -0-	$ -0-	$400,000

On May 17, 1984, the Board of Directors adopted a resolution terminating the money purchase pension plan effective May 31, 1984. Such termination resulted in all participants becoming fully vested in their account balances to the extent the contributions made to their accounts did not exceed the maximum amount allowable under the plan. The Board of Directors also authorized the adoption of a new profit sharing plan effective June 1, 1984. Pursuant to the profit sharing plan, the Company will make annual contributions, out of its current or accumulated earnings or profits, up to a maximum of 15% of covered compensation, as defined in such plan, of all employees who meet certain eligibility requirements. Profit sharing expense for the six months ended November 30, 1984 amounted to $400,000.

5—Pension Plans (Continued)

The Company was not required to make any contribution to the money purchase pension plan for the fiscal year ended May 31, 1984 because required contributions were offset by employee forfeitures in the amount of approximately $2,000,000 which occurred during the years 1980 through 1983. As a result of the funding status of the defined benefit pension plan, the Company was not required to make any pension contribution to that plan for the fiscal year ended May 31, 1984. Accordingly, no provision for pension expense has been made in the accompanying financial statements for the year ended May 31, 1984.

6—Leases and Other Commitments

Rent expense (including amounts paid in respect of maintenance, real estate taxes and other charges) for 1982, 1983 and 1984 amounted to $1,284,000, $1,501,000 and $1,857,000, respectively. Rent expense for the six months ended November 30, 1983 and 1984 amounted to $867,000 and $1,060,000, respectively.

At May 31, 1984, the Company was obligated under leases with initial terms of more than one year covering certain real property. The aggregate minimum fixed rentals required under these leases (exclusive of renewal options) are approximately as follows:

Year Ending May 31,	Aggregate Minimum Rental Commitment
1985	$ 1,778,000
1986	1,763,000
1987	1,763,000
1988	1,692,000
1989	1,496,000
Thereafter through 2003	7,900,000
	$16,392,000

In addition, prior to November 30, 1984, the Company signed (or was assigned) leases for seven new stores, as well as for a store in Syosset, New York that was relocated from a nearby location. Two of these stores, located in New York City and Woodbridge, New Jersey, opened subsequent to May 31, 1984. The other five stores, to be located in Massapequa and Nanuet, New York, Livingston, New Jersey and the Boroughs of Manhattan and Queens in New York City, are expected to open during the remainder of 1985. The leases for these seven stores (and the new Syosset store) provide for initial annual rental payments (excluding amounts required to be paid in respect of maintenance, real estate taxes and other charges) of approximately $1,500,000 in the aggregate.

Pursuant to certain license agreements, the Company subleases the record departments at all of its store locations to a corporation (Benel Distributors, Ltd.) wholly-owned by Ben Kuszer, the brother-in-law of Eddie Antar, and Mr. Kuszer's wife (see Note 10). Other income includes $264,000, $318,000 and $347,000 for the years ended May 31, 1982, 1983 and 1984, respectively, and $179,000 and $311,000 for the six months ended November 30, 1983 and 1984, respectively, in connection with these agreements.

Rent expense for 1982, 1983 and 1984 included $129,000, $132,000 and $363,000, respectively, for rentals paid to corporations controlled by Eddie Antar and Sam Antar or a corporation wholly-owned by them. Rent expense for the six months ended November 30, 1983 and 1984 included $180,000 and $86,000, respectively, for rentals paid to corporations controlled by Eddie Antar and Sam Antar.

6—Leases and Other Commitments (Continued)

During 1984, the Company entered into a lease agreement with Eddie Antar and Sam Antar for a new warehouse and corporate office location in Brooklyn, New York, owned by the Messrs. Antar. The Company incurred additional expenses in connection with such facility in the amount of approximately $145,000. The agreement was terminated February 20, 1984 when the Company decided to relocate its corporate office and warehouse to New Jersey.

See "Management—Employment Agreements" with respect to an agreement between the Company and Eddie Antar.

See "Business—Properties" with respect to an agreement dated April 11, 1984 in connection with the purchase of a new headquarters facility in Edison, New Jersey. On December 21, 1984, the Company received $7.8 million from the New Jersey Economic Development Authority, the proceeds of which will be used to finance the construction of such facility.

7—Notes Payable—Banks and other

Notes payable—banks and other consists of:

	May 31, 1984	November 30, 1984
Extebank, due June 25, 1984, with interest at 12%	$2,400,000	$ —
The Mutual Benefit Life Insurance Co., interest at 8% payable on demand, secured by cash surrender value of officers' life insurance policies (See Note 10)	495,868	317,281
Note payable resulting from deemed dividend described in Note 1	500,000	—
Bank Leumi Trust Company of New York(a)	—	3,500,000
	$3,395,868	$3,817,281

(a) Repaid on February 13, 1985.

8—Long-Term Liabilities

Long-term liabilities consist of amounts due finance companies pursuant to equipment leases and for insurance coverage.

9—Due from American Express Co. and Miscellaneous Receivables

The amount due from American Express Co. ("AMEX") represents amounts receivable from AMEX for credit card sales.

Miscellaneous receivables consists of:

	May 31,		November 30, 1984
	1983	1984	
Refund from money purchase pension plan (a)	$ —	$ 157,257	$ —
Cooperative advertising receivable	362,295	400,890	550,000
Due from an insurance company (b)	—	771,577	70,000
Due from a finance company	—	22,667	53,927
Other (c)	4,315	255,065	265,800
	$366,610	$1,607,456	$939,727

(footnotes on next page)

9—Due from American Express Co. and Miscellaneous Receivables (Continued)

(a) Received during June 1984.

(b) The receivable at May 31, 1984 resulted from insurance claims for water damage at the Company's Bronx store and a fire loss at the Third Avenue store which was closed in March 1984. Included in this amount is $452,707 with respect to a claim for damages by Benel Distributors, Ltd. The Company has offset the amount of the claim for anticipated insurance proceeds due to Benel against amounts owed to the Company by Benel. (See Annex I to this Prospectus.) The receivable at November 30, 1984 resulted from insurance claims for water damage at the Company's Bronx store.

(c) Other receivables primarily consist of amounts due in respect of the sale by the Company of certain equipment and labor costs associated with the installation of such equipment.

10—Related Party Transactions

Due from affiliates consists of:

	May 31,		November 30, 1984
	1983	1984	
Captain Video Enterprises, Inc. (a)	$1,085,026	$1,824,943	$9,309
Benel Distributors, Ltd. (b)	1,171,808	2,590,612	—
Educators International, Inc. and the University of St. Lucia School of Medicine, Ltd. (c)	147,445	977,578	—
Nogales Discount Center, Inc. (d)	263,946	—	—
Shoe Time, Inc. (d)	—	129,801	—
S & M Discount Center, Inc. (e)	60,360	60,360	—
Acousti-phase, Inc. (f)	155,980	155,980	—
	$2,884,565	$5,739,274	$9,309

(a) Eddie Antar owns 50% of the outstanding common stock of Captain Video Enterprises, Inc. ("Captain Video"), a retailer of home entertainment and consumer electronic products doing business in southeast Florida. For the years ended May 31, 1982, 1983 and 1984, the Company sold $627,714, $318,318 and $39,651 of merchandise to Captain Video. In addition, during the years ended May 31, 1982, 1983 and 1984, the Company advanced Captain Video $168,612, $19,044 and $2,286,620, respectively. Also, during the year ended May 31, 1984, Captain Video repaid $1,586,354 to the Company. Eddie Antar repaid all amounts owed by Captain Video to the Company out of his net proceeds from the Initial Public Offering.

(b) Benel Distributors, Ltd. ("Benel") sells pre-recorded audio and video cassettes and records at certain of the Company's store locations pursuant to various license agreements. In addition, the Company purchases, on behalf of Benel, cassette tapes which Benel sells or rents at its locations. For the years ended May 31, 1982, 1983 and 1984, the Company received $264,000, $318,000 and $347,000 pursuant to such license agreements. In addition, the Company had sales of cassette tapes to Benel of $2,131,506 and $3,271,511 for the years ended May 31, 1983 and 1984, respectively. In addition, the Company advanced Benel $443,767, $100,000 and $200,000 during the years ended May 31, 1982, 1983 and 1984, respectively. The Company terminated its sales to Benel on May 31, 1984 (other than the consignment sale referred to below), and will not make any further loans to or guarantee any loans for Benel.

(footnotes continued on next page)

10—Related Party Transactions (Continued)

(footnotes continued from previous page)

Benel has repaid the $2,590,612 for which it was indebted to the Company at May 31, 1984.

At May 31, 1984, the Company had on hand inventory intended for sale through Benel having a cost to the Company approximating $1,200,000. Although the Company retained title to such inventory, it was consigned to Benel for retail sale. During the six months ended November 30, 1984, Benel sold a portion of such inventory having a cost to the Company of $1,018,611. Such amount has been paid by Benel to the Company.

(c) Eddie Antar is a minority shareholder of the University of St. Lucia School of Medicine, Ltd. (the "University"), a corporation chartered under the laws of St. Lucia which operated a medical school on the island of St. Lucia. Educators International, Inc. ("EII"), a New York corporation all of whose stock is owned by Ben Kuszer, brother-in-law of Eddie Antar, was employed to provide recruiting and other services to the University. The medical school has discontinued its operations and is no longer an ongoing concern. For the year ended May 31, 1983, the Company advanced EII $147,445 for working capital. During the year ended May 31, 1984, the Company advanced EII and the University an additional $1,219,256 for working capital and was repaid $389,123. The amounts advanced to EII and the University which were outstanding at May 31, 1984 and remained outstanding upon the consummation of the Initial Public Offering were repaid by Eddie Antar out of his net proceeds from such offering.

(d) Nogales Discount Center, Inc. ("Nogales") is owned by Sam Antar. Nogales operates a retail store in Nogales, Arizona. During the year ended May 31, 1984, Nogales repaid $263,946 of the amount that was outstanding at May 31, 1983. In the years ended May 31, 1982 and 1983, the Company sold $385,391 and $32,586 of merchandise to Nogales.

Sam Antar also owns 50% of the outstanding stock of Shoe Time, Inc. During the year ended May 31, 1984, the Company advanced Shoe Time, Inc. $129,801. The Company guaranteed the repayment of a loan made to Shoe Time, Inc. by Bank Leumi LeIsrael of which $455,556 was outstanding at May 31, 1984, and has been released from this obligation. All amounts owed by Shoe Time, Inc. to the Company upon the consummation of the Initial Public Offering were repaid in full at such time by Sam Antar out of his net proceeds from such offering.

(e) S & M Discount Center, Inc., which is 50% owned by Sam Antar, operates two retail stores in New Jersey that sell home entertainment and consumer electronic products. During the year ended May 31, 1982, the Company sold $201,354 of merchandise to S & M Discount, Inc. All amounts owed by S & M Discount, Inc. to the Company upon the consummation of the Initial Public Offering were repaid in full at such time by Sam Antar out of his net proceeds from such offering.

(f) Eddie Antar owns 51% of the outstanding common stock of Acousti-phase, Inc., a manufacturer of stereo speakers. For the years ended May 31, 1982, 1983 and 1984, the Company purchased $811,000, $370,000 and $358,000 of merchandise from Acousti-phase, Inc. The amount due at May 31, 1983 and 1984 represents advances made to Acousti-phase, Inc. for working capital. All amounts owed by Acousti-phase, Inc. to the Company upon the consummation of the Initial Public Offering were repaid in full at such time by Eddie Antar out of his net proceeds from such offering.

The Company has maintained life insurance policies for Eddie Antar, Sam Antar and members of their family for which the named beneficiaries were the individuals' spouses. These individuals assigned

10—Related Party Transactions (Continued)

their right, title and interest to these policies to the Company prior to the consummation of the Initial Public Offering.

During fiscal 1983, Eddie Antar, Sam Antar and other members of their family borrowed $3,300,000 from Extebank and loaned the proceeds of such borrowings to the Company. The proceeds of such loans were used by the Company to repay its then existing indebtedness to Extebank. Subsequently, the Company made payments of principal and interest to Extebank on behalf of Eddie Antar, Sam Antar and such other members of their family in respect of their personal loans. The rate of interest paid by the Company was a fluctuating rate and was equal to the rate charged such persons by Extebank, which ranged from 11¾% to 17% during the period that the personal loans were outstanding. On March 26, 1984, the Company borrowed $2,600,000 from Extebank and repaid all amounts owed to Eddie Antar, Sam Antar and such other members of their family. The Company repaid $900,000 of such amount prior to the consummation of the Initial Public Offering, and repaid the balance of such amount to Extebank out of its proceeds of such offering.

An aggregate of $186,450 owed by Eddie Antar and Sam Antar to the Company was offset against compensation paid to such persons for fiscal 1984. At May 31, 1984, Eddie Antar and Sam Antar were indebted to the Company in the amount of $50,000 and, in May 1984, the Company provided a loan of $237,500 to Mr. Solomon E. Antar, Secretary and General Counsel of the Company. These amounts have been repaid.

11—Subsequent Events

(a) On August 28, 1984, the Company adopted The Crazy Eddie, Inc. 1984 Stock Option Plan which will authorize the grant to key executive employees of both "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code, as amended, and "nonqualified stock options," in order to give them an increased interest in the Company's progress. On September 21, 1984, the Company granted nonqualified stock options to purchase an aggregate of 132,100 shares of Common Stock to certain key employees. The options were granted at an exercise price of $8.29 per share. As of February 28, 1985, none of such options had been exercised, and 117,900 shares of Common Stock remained available for grant under the plan. During the six months ended November 30, 1984, the Company expensed approximately $191,000 in connection with the grant of the foregoing options. See "Management—Stock Option Plan" for a detailed discussion of this plan and a description of the terms of the outstanding options.

In addition, in connection with the Initial Public Offering, the managing underwriter purchased warrants to acquire an aggregate of 75,000 shares of Common Stock at a price of $9.60 per share for $1.00 each. The warrants become exercisable on September 20, 1985 and expire on September 20, 1989.

(b) See "Business—Legal Proceedings" with respect to a lawsuit brought against the Company in September 1984 in connection with services allegedly rendered in connection with the Initial Public Offering.

(c) On December 21, 1984, the Company obtained a $7.8 million loan from the New Jersey Economic Development Authority, the proceeds of which will be used to finance the construction of the Company's new headquarters facility in Edison, New Jersey. The loan bears interest at a rate equal to 75% of the prime rate of a commercial bank, subject to a maximum and minimum interest rate of 14% and 7½% per annum, respectively, and is repayable in varying installments through 2015. See "Business—New Facility."

CRAZY EDDIE, INC. AND SUBSIDIARIES

ANNEX I

AMOUNTS RECEIVABLE FROM RELATED PARTIES
YEARS ENDED MAY 31, 1982, 1983 AND 1984

Name of Debtor	Balance at Beginning of Period	Additions			Deductions		Balance at End of Period
		Sales	Cash Advances	Other	Amounts Collected	Other	Not Current
Year ended May 31, 1982:							
Due from Affiliates:							
Acousti-phase, Inc.	$ 68,000		$ 100,000		($ 15,000)		$ 153,000
Benel Distributors, Ltd.	250,000		443,767	$264,000	(1,077,465)		(119,698)
Captain Video Enterprises, Inc.	603,386	$ 627,714	168,612		(562,210)		837,502
Nogales Discount Center, Inc.	277,297	385,391			(431,328)		231,360
S & M Discount Center, Inc.	135,898	201,354	31,470		(308,362)		60,360
	$1,334,581	$1,214,459	$ 743,849	$264,000	($2,394,365)		$1,162,524
Loans Receivable officers:							
Eddie Antar and Sam Antar	$ 127,833		$ 326,134		($ 395,239)		$ 58,728
Year ended May 31, 1983:							
Due from Affiliates:							
Acousti-phase, Inc.	$ 153,000		$ 2,980				$ 155,980
Benel Distributors, Ltd.	(119,698)	$2,131,506	100,000	$318,000	($1,258,000)		1,171,808
Captain Video Enterprises, Inc.	837,502	318,318	19,044		(89,838)		1,085,026
Educators International, Inc.			147,445				147,445
Nogales Discount Center, Inc.	231,360	32,586					263,946
S & M Discount Center, Inc.	60,360						60,360
	$1,162,524	$2,482,410	$ 269,469	$318,000	($1,347,838)		$2,884,565
Loans Receivable officers:							
Eddie Antar and Sam Antar	$ 58,728		$ 117,722		($ 15,000)		$ 161,450
Year ended May 31, 1984:							
Due from Affiliates:							
Acousti-phase, Inc.	$ 155,980						$ 155,980
Benel Distributors, Ltd.	1,171,808	$3,271,511	$ 200,000	$347,000	($1,947,000)	($452,707)(A)	2,590,612
Captain Video Enterprises, Inc.	1,085,026	39,651	2,286,620		(1,586,354)		1,824,943
Educators International, Inc.	147,445		1,219,256		(334,640)	(54,483)	977,578
Nogales Discount Center, Inc.	263,946				(263,946)		—
S & M Discount Center, Inc.	60,360						60,360
Shoe Time, Inc.	—		129,801				129,801
	$2,884,565	$3,311,162	$3,835,677	$347,000	($4,131,940)	($507,190)	$5,739,274
Loans Receivable officers:							
Eddie Antar and Sam Antar	$ 161,450		$ 75,000			($186,450)(B)	$ 50,000
Solomon E. Antar	—		237,500			—	237,500
	$ 161,450		$ 312,500			($186,450)	$ 287,500

(A) Represents offset of insurance claim. See Note 9 of Notes to Consolidated Financial Statements.

(B) Represents offset against compensation paid for fiscal 1984.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, any Underwriter or any Selling Stockholder. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date as of which information is furnished. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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1,200,000 Shares

CRAZY EDDIE® INC.

Common Stock

PROSPECTUS

Oppenheimer & Co., Inc.

March 13, 1985

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution.*

The following table sets forth the expenses in connection with the offering described in this Registration Statement. All of such amounts (except the SEC Registration Fee and the NASD Filing Fee) are estimates.

	Company	Selling Stockholders	Total
SEC Registration Fee	$ 840	$ 4,830	$ 5,670
NASD Filing Fee	435	2,500	2,935
Blue Sky Fees and Expenses	4,167	20,833	25,000
Printing and Engraving Costs	16,667	83,333	100,000
Legal Fees and Expenses	14,167	70,833	85,000
Accounting Fees and Expenses	15,000	—	15,000
Transfer Agent and Registrar Fees and Expenses	1,000	—	1,000
Miscellaneous	899	4,496	5,395
Total	$53,175	$186,825	$240,000

Item 14. *Indemnification of Directors and Officers.*

The By-laws of the Company require the Company to indemnify its directors and officers to the fullest extent permitted by the General Corporation Law of Delaware, which in general provides that a corporation may indemnify, among others, an officer or director who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

The Company has purchased directors' and officers' liability insurance in the amount of $15,000,000 covering liabilities incurred under the Securities Act of 1933, as amended, by its officers and directors.

Reference is also made to the form of Underwriting Agreement, filed as Exhibit 1.1 hereto, which contains provisions for indemnification of the Company, its directors, officers and any controlling persons, by the Underwriters against certain civil liabilities for information furnished by the Underwriters.

Item 15. *Recent Sales of Unregistered Securities.*

The following information relates to securities of the Company sold within the past three years which were not registered under the Securities Act of 1933, as amended.

As part of the corporate reorganization described in the Prospectus under "Certain Transactions—Reorganization," the Company issued 5,000 shares of Common Stock in exchange for all of the outstanding shares of Common Stock of Crazy Eddie, Inc., a New York corporation. Such transactions were effected without registration under the Securities Act of 1933 in reliance upon the exemption provided by section 4(2) of that Act.

Item 16. *Exhibits and Financial Statement Schedules.*

(a) *Exhibits*

* 1.1 —Form of Underwriting Agreement

3.1 —Certificate of Incorporation, as amended, of the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 3.1, filed May 22, 1984)

3.2 —By-laws of the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 3.2, filed May 22, 1984)

4.1 —Form of certificate evidencing ownership of common stock of the Company

4.2 —Loan Agreement, dated as of December 1, 1984, by and between the New Jersey Economic Development Authority and the Company

4.3 —Mortgage and Security Agreement, dated December 1, 1984, from the Company to the New Jersey Economic Development Authority

4.4 —Assignment of Leases, dated December 21, 1984, from the Company to the New Jersey Economic Development Authority

* 5.1 —Opinion of Paul, Weiss, Rifkind, Wharton & Garrison

10.1 —Sublease, dated August 27, 1976, between East Fordham Road Properties, Inc. and DNS Audio Inc., as amended (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.1, filed May 22, 1984)

10.2 —Sublease, dated November 4, 1980, between General Nutrition Center, Inc. and SND Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.2, filed May 22, 1984)

10.3 —Assignment of Lease, dated June 30, 1975, between Center Associates, Cameo Camera Stores, Inc. and SND Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.3, filed May 22, 1984)

10.4 —Assignment and Assumption of Lease, dated March 30, 1984, between Sam Antar, Simcole Audio, Inc. and 404 Jericho Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.4, filed May 22, 1984)

10.5 —Assignment and Assumption of Lease, dated March 8, 1984, between Kelso Industries, Inc. and Ultralinear Sound Corp. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.5, filed May 22, 1984)

10.6 —Agreement, dated April 7, 1977, between Emil J. Geering and Dorothy B. Geering and Moore Industries Corporation (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.6, filed May 22, 1984)

10.7 —Assignment of Sublease, dated June 1, 1983, between The Lionel Corporation and Gabrielle Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.7, filed May 22, 1984)

10.8 —Lease, dated September 1, 1978, between Kelso Industries, Inc. and Rose Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.8, filed May 22, 1984)

10.9 —Assignment, dated December 21, 1982, between The Lionel Corporation and Crazy Eddie, Inc. and various subsidiaries (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.9, filed May 22, 1984)

10.10 —Assignment of Sublease, dated March 1, 1980, between Kelso Industries, Inc. and Noel Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.10, filed May 22, 1984)

10.11 —Lease, dated February 1, 1981, between Lex-Parc Properties and Mitchell Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.11, filed May 22, 1984)

10.12 —Lease, dated December 9, 1982, between Robert Rosenfeld and Simone Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.12, filed May 22, 1984)

10.13 —Lease, dated February 10, 1983, between Vornado, Inc. and Danielle Audio, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.13, filed May 22, 1984)

10.14 —Lease, dated January 10, 1984, between Jeffrey Seaman, et al. and Suffolk Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.14, filed May 22, 1984)

10.15 —Sublease Agreement, dated April 1, 1984, between Kelso Industries, Inc. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.15, filed May 22, 1984)

10.16 —Agreement of Lease, dated February 23, 1984, between Steval Development Corp. and Third Avenue Home Entertainment Boutique, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.16, filed May 22, 1984)

10.17 —Lease, dated July 1, 1980, between 2865 Coney Island Avenue Realty Corp. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.17, filed May 22, 1984)

10.18 —Agreement to Purchase, dated April 11, 1984, between Talmadge Realty Associates and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.18, filed May 22, 1984)

10.19 —Construction Agreement, dated April 11, 1984, between Morris Industrial Builders, Inc. and the Company (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.19, filed May 22, 1984)

10.20 —Agreement of Lease, dated April 26, 1984, between 1000 Massapequa, Inc. and Massapequa Audio Distributors, Inc. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.20, filed May 22, 1984)

10.21 —Form of Assignment of Lease, with Assumption, between National Brands Outlet, Inc. and C.E. Audio Distributors, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.21, filed August 31, 1984)

10.22 —Assignment, dated May 21, 1984, from Eddie Antar to the Company (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.22, filed August 31, 1984)

10.23 —Form of Trade Name, Trademark and Service Mark License Agreement between the Company and each of its subsidiaries. There are 20 such agreements that are identical in all material respects. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.23, filed August 31, 1984)

10.24 —Form of Trade Name, Trademark and Service Mark Sub-license Agreement between a subsidiary of the Company and a subsidiary of Benel. There are 20 such agreements between subsidiaries of the Company and subsidiaries of Benel that are identical in all material respects except for amounts of required advertising expenses of the licensee. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.24, filed August 31, 1984)

10.25 —Form of License Agreement between a subsidiary of the Company and a subsidiary of Benel. There are 20 such agreements between subsidiaries of the Company and subsidiaries of Benel that are identical in all material respects except for amounts of monthly license fees. Additional agreements are expected to be added as new stores open. (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.25, filed May 22, 1984)

10.26 —Crazy Eddie, Inc. 1984 Stock Option Plan (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.26, filed August 31, 1984)

10.27 —Crazy Eddie, Inc. and Subsidiaries Retirement Trust, dated May 1, 1977, as amended (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.27, filed May 22, 1984)

10.28 —The Crazy Eddie, Inc. and Subsidiaries Profit Sharing Plan, effective as of June 1, 1984 (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.28, filed May 22, 1984)

10.29 —Crazy Eddie, Inc. and Subsidiaries Defined Benefit Pension Plan (incorporated by reference from Registration Statement No. 2-91259, Exhibit 10.29, filed May 22, 1984)

10.30 —Form of Agreement among Benel Distributors, Ltd., Eddie Antar, Ben Kuszer and the Company (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.30, filed September 10, 1984)

10.31 —Form of Indemnification Agreement among the Company, Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.31, filed August 31, 1984)

10.32 —Form of Dwek Guaranty by Eddie Antar to the Company (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.32, filed August 31, 1984)

10.33 —Employment Agreement, dated as of June 1, 1984, between the Company and Eddie Antar (incorporated by reference from Amendment No. 1 to Registration Statement No. 2-91259, Exhibit 10.33, filed July 11, 1984)

10.34 —Sublease Agreement, dated May 22, 1984, between Harvey Sound, Inc. and Simcole Audio, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.34, filed August 31, 1984)

10.35 —Lease, dated July 19, 1984, between Rockland Center Associates and Nanuet Audio Distributors, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.35, filed August 31, 1984)

10.36 —Lease, dated May 14, 1984, between Belle Atkind and Woodbridge Audio Distributors, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.36, filed August 31, 1984)

10.37 —Lease, dated August 16, 1984, between Center Associates and SND Audio, Inc. (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.37, filed August 31, 1984)

10.38 —Form of Consignment Agreement, dated as of May 31, 1984, between the Company and Benel Distributors, Ltd. (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.38, filed September 10, 1984)

10.39 —Form of Indemnification Agreement among the Company, C.E. Holdings, Inc., Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 2 to Registration Statement No. 2-91259, Exhibit 10.39, filed August 31, 1984)

10.40 —Form of Agreement among Crazy Eddie, Inc., Captain Video Enterprises, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.40, filed September 10, 1984)

10.41 —Form of Agreement among Crazy Eddie, Inc., Educators International, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.41, filed September 10, 1984)

10.42 —Form of Agreement among Crazy Eddie, Inc., University of St. Lucia School of Medicine, Ltd. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.42, filed September 10, 1984)

10.43 —Form of Agreement among Crazy Eddie, Inc., Acousti-phase, Inc. and Eddie Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.43, filed September 10, 1984)

10.44 —Form of Agreement among Crazy Eddie, Inc., Shoe Time, Inc. and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.44, filed September 10, 1984)

10.45 —Form of Agreement among Crazy Eddie, Inc., S&M Discount Center, Inc. and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.45, filed September 10, 1984)

10.46 —Form of Assignment of Interest in Brewer Venture by the Company to Eddie Antar and Sam Antar (incorporated by reference from Amendment No. 3 to Registration Statement No. 2-91259, Exhibit 10.46, filed September 10, 1984)

10.47 —Lease, dated October 18, 1984, between Medical Building Investors and Queens Boulevard Audio Inc.

10.48 —Lease and three side letter agreements, dated October 16, 1984, and side letter agreement, dated October 31, 1984, between Bailey N.Y. Associates and the Company

10.49 —Lease, dated February 11, 1985, between 116 Post Road Associates and Tera Audio Distributors, Inc.

*22.1 —Subsidiaries

24.1 —Consent of Main Hurdman

24.2 —Consent of Penn and Horowitz

24.3 —Consent of Paul, Weiss, Rifkind, Wharton & Garrison (included in opinion filed as Exhibit 5.1)

25.1 —Power of Attorney (see signature page)

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*Filed herewith.

(b) *Financial Statement Schedules*

Schedules for the three years ended May 31, 1984:

Schedule IX—Short-Term Borrowings

Schedule X—Supplementary Income Statement Information

All other schedules and columns in schedules are omitted, as the required information is inapplicable or the information is presented in the financial statements and related notes included in the Prospectus.

Item 17. ***Undertakings***

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 13th day of March, 1985.

CRAZY EDDIE, INC.

By /s/ EDDIE ANTAR
Eddie Antar
President

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ EDDIE ANTAR **Eddie Antar**	Director, President and Chief Executive Officer (Principal Executive Officer)	March 13, 1985
/s/ EDDY ANTAR **Eddy Antar**	Director and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 13, 1985
/s/ MITCHELL ANTAR **Mitchell Antar**	Director	March 13, 1985
/s/ SAM ANTAR **Sam Antar**	Director	March 13, 1985
/s/ JAMES H. SCOTT, JR. **James H. Scott, Jr.**	Director	March 13, 1985
/s/ CARL G. ZIMEL **Carl G. Zimel**	Director	March 13, 1985

*By
Eddie Antar,
Attorney-in-fact

CRAZY EDDIE, INC. AND SUBSIDIARIES

SCHEDULE IX

SHORT-TERM BORROWINGS
YEARS ENDED MAY 31, 1982, 1983 AND 1984

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the period
Notes payable to banks (bank borrowings):					
Year ended May 31, 1982	$4,950,000	16.7%	$5,200,000	$4,491,233	16.8%
Year ended May 31, 1983	—	—	$3,500,000	$ 369,951	17.0%
Year ended May 31, 1984	$2,895,868	10.5%	$3,295,868	$1,161,674	11.8%

Notes payable to banks represent obligations payable under lines of credit with various local banks.

The average amount outstanding during the period represents the average of the daily principal balances outstanding during the period.

The weighted average interest rate during the period was computed by dividing the actual interest incurred on short-term borrowings by the average amount outstanding during the period.

CRAZY EDDIE, INC. AND SUBSIDIARIES

SCHEDULE X

SUPPLEMENTARY INCOME STATEMENT INFORMATION
YEARS ENDED MAY 31, 1982, 1983 and 1984
(In thousands)

	Charged to costs and expenses		
	1982	1983	1984
Advertising costs	$819	$921	$1,008

Amounts for maintenance and repairs; depreciation and amortization of intangible assets, preoperating costs and similar deferrals; taxes, other than payroll and income taxes; and royalties are not presented as such amounts are less than 1% of total sales and revenues for each year.