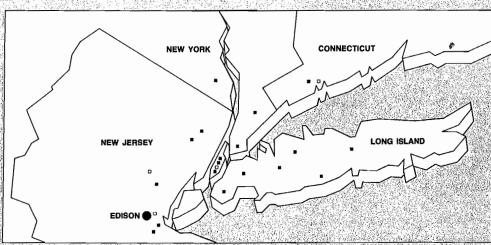
Crazy Eddie Annual Report 1985

Cra'zy Ed'die. n. [CRZY: Stock trading symbol on NASDAQ.] 1. New York's largest consumer electronics retailer; 2. unsurpassed value to 18 million people in the New York "metro" market; 3. the quality or state of selling brand name home entertainment at unbeatable prices.

l dight/th thin, path/th this, bathe/0 cut/0r urgo/v valso/w with/y yes/z zebra, size/zh vision/s about, item, edible, gallon, circus a fr. ami/w fr. leu. Ger. schön/0 fr. ur, Ger. über/kii Ger. ich, Scol. loch/n fr. bon. *Follows main vocabulary. 101 obseurs origin

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razy Eddie, Inc. is the New York tri-state metropolitan area's leading home entertainment and consumer electronics retailer with 18 stores, including twelve in New York (six stores in New York City), five in New Jersey and one in Connecticut. Two additional stores in Livingston, NJ and at the corporate headquarters and central warehouse facility in Edison, NJ are planned for later this year, as are new stores in Orange, CT and in Manhattan's financial district in lower Manhattan. The Company believes that the 18 million population New York market can sustain at least 50 Crazy Eddie store locations.



● PLANNED CORPORATE HEADQUARTERS ■ EXISTING STORE LOCATIONS 🗀 1985 STORE LOCATIONS

Store Location

Norwalk, CT Carle Place NY
East Brunswick, NJ Hartsdale, NY
Fords, NJ Massapequa, NY
Paramus, NJ Nanuet, NY
Totowa, NJ Neconset, NY
Union, NJ New York, NY (3)
Bronx, NY Queens, NY
Brooklyn, NY Syosset, NY

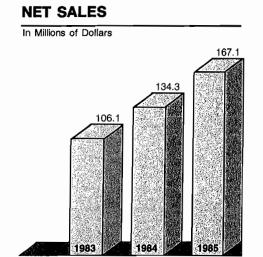
New Store Openings

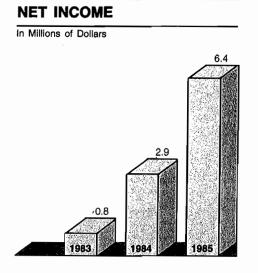
Edison, NJ Livingston, NJ Orange, CT New York, NY

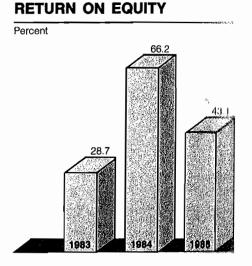
Financial and Operating Highlights (1983-85)

| (in thousands, except per share amounts and operating details) | 1985 | 1984 | 1983 |
|--|---------------|------------|------------|
| | (3/3/85) | (2/29/84) | (2/28/83) |
| Summary of Operations | | | |
| Net sales | \$167,147 | \$134,347 | \$ 106,095 |
| Cost of sales | 127,619 | 105,313 | 83,327 |
| Gross margin | 23.6% | | 21.5 |
| Income before taxes | 13,343 | 6,582 | 1,766 |
| Net income | 6,367 | 2,952 | 811 |
| Net margin | 3.8% | | 0.85 |
| Earnings per share | 1. <u>10</u> | 59 | .16 |
| Shareholder And Other Information | | | |
| Cash flow from operations | \$ 6,936 | \$ 3,423 | \$ 1,178 |
| Additions to property and equipment | 2,491 | 546 | 431 |
| Number of common shares outstanding (year-end) | 6,700 | 5,000 | 5,000 |
| Shareholders' equity per share of common stock | 3.56 | 1.14 | .65 |
| Return on average shareholders' equity | 43. <u>1%</u> | 66.2% | 28.7 |
| Year-End Financial Position | | | |
| Total working capital | \$ 18,794 | \$ (2,815) | \$ (218) |
| Total assets | 65,528 | 34,458 | 25,095 |
| Current ratio | 1.6 | N.A. | N.A. |
| Shareholders' equity | 23,861 | 5,686 | 3,234 |
| Year-End Store And Other Information* | | <u>-</u> | 333760**34 |
| Number of stores | 15 | 13 | 11 |
| Total gross store space (sq. ft) | 192,984 | 161,730 | 144,590 |
| Total selling store space (sq. ft) | 74,520 | 64,455 | 56,625 |
| Average square feet per store | 4,968 | 4,958 | 5,147 |
| Average sales per store (in thousands) | \$ 12,081 | \$ 10,560 | \$ 9,783 |
| Sales per square foot | \$ 2,368 | \$ 2,104 | \$ 1,850 |
| Gross profit per square foot | \$ 569 | \$ 474 | \$ 404 |
| Total employees | 961 | 772 | 680 |
| Total selling employees | 282 | 261 | 211 |
| Sales per selling employee | \$581,992 | \$494,264 | \$ 488,602 |

^{*} Excludes affiliated sales







Dear Shareholders:

Welcome! Crazy Eddie, Inc. is a new publicly-owned company, but the Company actually dates back to 1969 when it helped develop the exciting concept of the consumer electronics business as it is today. From its inception as a small store on Kings Highway in Brooklyn, Crazy Eddie has grown to be the tristate New York metropolitan area's largest home entertainment and consumer products retailer.

We are proud to report to you that fiscal 1985 was a banner year for Crazy Eddie, Inc. Net sales for the twelve months ended March 3, 1985 rose to \$167,147,488, an increase of 24.4% over the previous twelve months figure of \$134,347,195. Total stores in operation amounted to 15 compared to 13 a year ago, while comparable or same store sales during the year increased 11% over the prior year in line with average annual past growth.

Net income for the twelve months increased 116% to \$6,366,901 or \$1.10 per share compared to \$2,952,280 or 59 cents per share for the twelve months ended February 29, 1984.

For the twelve months, gross profit margins climbed to 23.6% from 21.6% a year ago; selling, general and administrative costs as a percent of sales declined to 15.8% versus 16.4% a year ago; pre-tax margins increased to 8.0% from 4.9%, and net income as a percent of sales rose to 3.8% compared to 2.2% a year ago.

Crazy Eddie's sales per square foot rose 13% to \$2,368 during the period, up from \$2,104 a year ago; gross profit per square foot increased to \$569 compared to \$474 a year ago, and average sales per store rose 14% to \$12,081,470 versus \$10,560,080 during the previous twelve months.

This marks the 15th consecutive year of record sales and earnings for Crazy Eddie, Inc. Crazy Eddie has never had a down year in either sales or earnings since its inception.

Crazy Eddie is in the HOME ENTERTAINMENT business. The Company traces its origins back to the audio business, but it was also among the first major consumer electronics retailers to diversify broadly into home entertainment. Today's diverse product line also includes personal electronics, car stereos, home computers, telephones, microwave ovens, air conditioners, electric fans, humidifiers and other small home appliances.

PRODUCT HALES BY CATEGORY

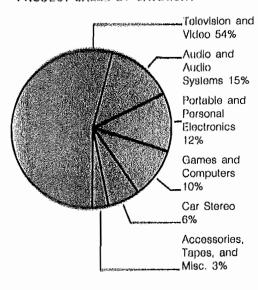


Fig. Fridie's nuccess is based

- A wide collection of quality, brandpains products.
- នៅត្រូវបា ចៅព្រៃព្រ and merchandising
 នៅពេញលេខ
- As augresalve, discounted pricing
- § § Sumprahanulvo customer service

 paray

Press policies apoll out CUSTOMER was FACTION which is the ultimate was point behind the success of the Error Eddle business.

From the the future hold for Crazy between the market for consumer electric to the hight. Exports predict nearly a set a minual compound growth rate be as including through at least 1990— and promising for any segment of pateons. I believe that Crazy Eddie can see than share in that growth, staying was saling only minimal additional assessment of coals.

Fig. Eddle's ourront market share if the estimated \$3.5 billion New Figs sectionally rotal market for solveniar electronics is approximately \$5. Yet we have by far the ways of share and are confident that

our market penetration can grow appreciably. We believe that our market can sustain as many as 50 stores on a comparable volume basis as our present stores.

A STATE OF THE PROPERTY OF THE

We're in the *right* business at the *right* time! We have a strong, seasoned organization and we are rapidly building a solid infrastructure to support and sustain future growth.

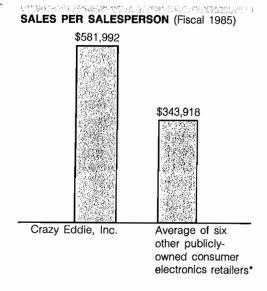
I would like to thank our dedicated employees, our vendors and our shareholders for their confidence and support in the past year.

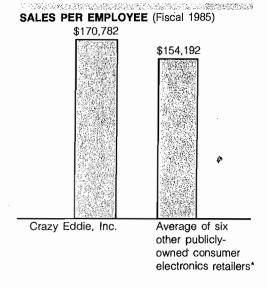
Sincerely,

Eddie Antar Chairman, President and

Chief Executive Officer

June 17, 1985





Audio/Video Affiliates, Inc. Circuit City Stores, Inc.
 The Federated Group, Inc. Highland Superstores, Inc. Luskin's, Inc.
 Stereo Village, Inc.

Retall Outlook 'Electrifying'

Dynamiami

No term better describes the consumer electronics industry at this stage in its development. Above all, it is an industry charged with bringing entertainment and information to the peoples of the world. That's a significant task. And unlike most products for the home, consumer electronics is a constantly evolving and expanding business.

Recent advances in tolovision, video, audic and other products have created an exciting image for electronics in the eyes of today's consumer. It's an image of glamorous, valueadded high technology. It's a growth business.

A recent presentation by retail analysts, consultants and educators at the National Retail Morchants Association's 74th annual meeting in New York held that consumer electronics will sustain its present explosive growth cycle for years to come.

CONSUMER ELECTRONICS PRODUCTS

| COFFEE AND ADVIS | c1314 | £100 | . incl | | her ar | | | | | | | | | | | | Total Factory Sales in Dollars (Millions) |
|------------------|--------|--------|--------|-------|--------|------|--------|---|---|---|-----|---|----|---|---|---|--|
| 1960 | engana | raing. | 420 | r. Ac | . 78 | e ge | - Comp | | ! | , | er. | 1 | 27 | | _ | , | 10,900 |
| 1981 | : - | | | | | | , | | | | , | , | , | , | | , | 12,500 |
| 1988 | | r | | ı | | r | | | , | , | | | þ | , | | | 16,800 |
| 1983 | | | | : | | | | | ı | , | | , | | , | | | 20,800 |
| 1984 | | | i | 1 | : | | , | , | , | 1 | , | , | , | , | , | | 23,400 |
| 1985 (pro | | | | | | | | | | | | | | | | | 24,900 |

Bounde Mitglimite Industries Annociation, Washington, DC

Consumer electronics is the "most exciting category of consumer products," the NRMA report reads. This pace, it is explained, is sustained more by technological breakthroughs than by population growth. Consumers increasingly accept this technology as part of their changing lifestyles.

Per capita sales for electronics reached \$97 in 1980, and are expected to grow to \$232 in 1990. Total industry sales will top \$80 billion in 1990, up from \$22 billion in 1980, the report states. That's a compound annual growth rate of 13.9%, the largest gain predicted for any retail product grouping.

Figures from the Electronic Industries Association back up that forecast. Factory sales of consumer electronics products were estimated at \$23.4 billion last year, or more than \$31 billion at retail, according to the EIA. A \$24-plus billion landmark is expected in 1985 for manufacturers' shipments.

In their findings, researchers note that leading consumer electronics retailers in major metropolitan markets are best positioned to benefit from the industry's dramatic growth. In addition to traditional customers, the emergence of young urban professionals as prime consumer electronics buyers is spurring the bigcity retailer. In good economic times and bad, experienced electronics chains will continue to thrive due to the consumer's ongoing interest in the products they sell, the report states.

Video Will Sustain Its Upward Curve

What's fueling this growth? Several factors, including the unrelenting advance of television and video on the marketplace. Videocassette recorders are expected to outperform every other consumer hardlines product for several years in terms of annual sales increases.

Consumers are expected to snap up 11.5 million VCR's this year, nearly a 60% increase over last year's sales of 7.3 million units. This should bring the total installed VCR market base in the U.S. to 23 million units, a 27% penetration rate of the total universe of 85 million color TV sets in operation nationally.

COLOR TV RECEIVERS*

(Excl. Projection Television)

| 1000000000000000000000000000000000000 | 是在1000年1000年100日 1000年10日 1000年10日 1000年10日 1000年10日 | MOSE OF WIRM ARCHOVERSE | STAR STARTERING |
|---------------------------------------|---|--|--|
| | Total Sales to Dealers in Units (Thousands) | Total Factory Sales in Dollars (Millions) | Average Value (Dollars per Unit) |
| 1980 | 10,897 | 4,210 | 386 |
| 1981 | 11,157 | 4,349 | 390 |
| 1982 | 11,366 | 4,253 | 🕈 374 |
| 1983 | 13,986 | 5,002 | 358 |
| 1984 | 15,800 | 5,370 | 340 |
| 1985 (proj.) | 15,900 | 5,410 | 340 |
| | | | |

^{*} Includes monitors for consumer use.

Source: Electronic Industries Association, Washington, DC

The VCR has clearly changed the entertainment habits of the home. Consumers can now schedule their home entertainment to fit their own needs. The renting and buying of prerecorded movies and other programming, as well as the taping of broadcasts, are widespread practices affordable to most consumers.

Retail chains capable of aggressively merchandising all categories of video hardware, software and accessories stand to gain the most from the video phenomenon.

As more and more consumers invest in VCRs, the replacement market for color television sets continues to surge ahead. Nearly 16 million sets were sold in 1984—an increase of 1.8 million units over 1983. Another 16 million-plus units are expected to reach retailers this year, as average prices remain stable. While margins in television are somewhat volatile, electronics specialty chains have expanded assortments to include more high-end products which generally yield greater profits.

One notable technological breakthrough—stereo TV broadcasting holds great promise for the future.

TOTAL VIDEOCASSETTE RECORDERS

| | Total Sales to Dealers in Units (Thousands) | Dollars | Average Value (Dollars per Unit) |
|--------------|--|---------|---|
| 1980 | 805 | 621 | 771 |
| 1981 | 1,361 | 1,127 | 828 |
| 1982 | 2,035 | 1,303 | 640 |
| 1983 | 4,091 | 2,162 | 528 |
| 1984 | 7,300 | 3,410 | 467 |
| 1985 (proj.) | 9,500 | 4,250 | 447 |
| | | | |

Source: Electronic Industries Association, Washington, DC

Consumers in virtually all major markets will be able to enjoy true high fidelity sound from their televisions by early 1986, as networks, local stations and cable broadcasters go "on line" with stereo programs. Television receivers incorporating technology that decodes the special audio signals are already selling well in many stores, even in areas where stereo broadcasting is months away. Indeed, the marriage of audio and

video has been consummated within the past year. The public is now turning its eyes and ears to complete audio/video systems, where a VCR, monitor/receiver television and audio system are packaged together to create a total home entertainment experience. Previously attainable only by consumers able to spend \$8,000 or more for individual components, new packaged audio/video systems retail for between \$2,000 and \$5,000.

The merging of audio and video is already bringing about a significant rub-off effect on other product categories. Movies and concerts on high fidelity videocassettes are selling to customers with hi fi-capable VCRs. And the dozens of accessories available for installation and enhancement of audio/video systems are providing dealers with even greater gross profits.

At the same time, electronics chains selling both video and music software are generating cross merchandising opportunities between the mediums. For instance, a display for the Flashdance high fidelity videotape could carry a reference to the Flashdance motion picture soundtrack LP available in the record and tape department. Another example of the dynamism that retailers in this business enjoy.

Audio Is Alive And Well

Although video may be the shining star in today's retail showroom, audio alone represents an expanding sector. Sales of matched audio rack systems—where amplifier, radio tuner, turntable, cassette deck and speakers are grouped together in a piece of knock-down furniture—are a testament to the health of the audio business.

A staggering rise in sales from 407,000 units to dealers in 1983 to 1.1 million units last year for rack systems is reported by the EIA. Average retail price is about \$600. While the industry can't hope to duplicate that tremendous jump in 1985, rack systems are expected to remain a staple of electronics retailing for years to come. Young consumers who purchased separate components in the audio boom of the mid-1970s, and who now command far more disposable income, represent a ripe replacement market.

TOTAL AUDIO COMPACT & COMPONENT SYSTEMS

| TANK MAKEN | MAGRITARIO E. | 图为4000000000000000000000000000000000000 | 特別的場合 |
|--------------|--|---|---|
| | Total Sales T to Dealers in Units (Thousands) | Sales in | Average Value (Dollars per Unit) |
| 1980 | 3,744 | 809 | 216 |
| 1981 | 2,882 | 720 | 250 |
| 1982 | 2,640 | 573 | 217 |
| 1983 | 3,058 | 630 | 206 |
| 1984 | 3,600 | 870 | 242 |
| 1985 (proj.) | 3,700 | 910 | 246 |

Source: Electronic Industries Association, Washington, DC

The technology story in audio is being told by the compact disc player. A year after its mass market introduction, this laser-based product is already perceived by audio-conscious consumers as a must item. Sales of the players are projected at 600,000 units to consumers this year, up from 240,000 a year ago. CD player sales also lead to step-up sales of new speaker systems, amplifiers and other components as consumers build new audio systems based around the digital medium.

Electronica retailers who sell both the players and clacs have already taken the lend as one-stop shopping sources for this new business. And to date, CD software has been a highly profitable catogory. The Compagt Disa Group - made up of hardware and eoftware manufacturers says nearly 10 million discs will sell to dealers this year. That's about 15 per unit, more than doubling 1984's sales. As clise prices gradually nudge down, CD's popularity should snowball alrice more than 6,000 titles are currently available in disc format. Next year, in fact, new compact disc relegaes are expected to exceed those of both LPs and cassettes.

COMPACT DIBC PLAYERS

| AND ASSESSED ASSESSED. | 新山村的新城市 ,在1925年1925年1925年1925年1925日 | and a distribution of the state |
|------------------------|--|--|
| | | Aver. Cost |
| (15,000 | # 15.0 mm. | \$429.00 |
| 240,000 | \$ 76.0 mm. | 311.00 |
| 600,000 | 169.0 mm. | 263.00 |
| | ejinU 000,dl) 000,01¢ | Unite Dollars (15,000 # 15.0 mm. 240,000 # 75.0 mm. 600,000 168.0 mm. |

Boures Compact Dist Group, How York, NY

The Right Products At The Right Time

建全国的基本保护的政策,在1965年的,在1965年的1967年的1965年,1965年

Clearly, consumer electronics is a field where new, marketable technology keeps on coming to the store level. Newly expanding categories like cellular mobile telephones and home satellite systems are just two examples of this fact. Perhaps the industry's greatest achievement will come when the "electronics home of the future" is no longer a blue sky theory. A handful of manufacturers are already testing a personal computer-based system that monitors and controls household appliances and electronics, climate, lighting, smoke/fire and security systems.

And who will buy these space-age items? None other than the fastest-growing upscale consumers in the marketplace: two-income families interested in scheduling their entertainment to fit their lifestyles. They have the confidence in these products, and in the retailers selling consumer electronics. And they also have the disposable income to offer retailers who most effectively promote and market to this sector.

Spurring the buyer on is not only new technology, but lower pricing in current consumer electronics lines. Traditional products like televisions, VCRs and audio equipment are simply being made better, smaller and less expensive to the consumer.

COMPACT DISC SOFTWARE

| | Units | Dollars | |
|------|-----------|-------------|---------|
| 1983 | 800,000 | \$ 17.2 mm. | \$21.50 |
| 1984 | 5,800,000 | 103.2 mm. | 17.81 |

Source: Recording Industries Association, New York, NY

Baby boomers and other population segments seek prime value. Consumer electronics offers this on an ongoing basis.

The same value is also leading more and more purchasers into not only replacing consumer electronics items in the home, but adding to existing units. The multi-TV family is very much a reality, and soon, the multi-VCR family will be as well. The market for consumer electronics grows exponentially as price points decline.

All of these factors add up to one precept: Consumer electronics retailers in urban markets are in the right place at the right time to benefit from interest in their products from the most affluent consumers.

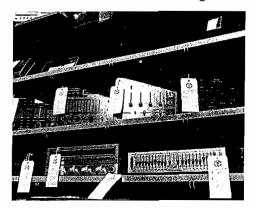
ESTIMATED HOUSEHOLD PENETRATION BY PRODUCT CATEGORY

| | 1400 |
|-----------------------------|------|
| (AS OF JANUARY, 1985) | |
| Total TV | 98% |
| Color TV | 91% |
| Black & White TV | 70% |
| Projection TV | 2% |
| VCR | 17% |
| Audio Systems | 81% |
| —Component | 37% |
| —Console | 17% |
| —Compact | 45% |
| Telephone Answering Devices | 5% |
| Cordless Telephones | 10% |
| Home Radios | 98% |
| Home Computers | 13% |
| | |

Source: Electronic Industries Association, Washington DC

What really is a SuperStore? Is it the size of store, or is it sales and gross profit per store? At Crazy Eddie, sales per square foot—along with gross profit—are the major criteria. Crazy Eddie chalked up a record \$2,368 per square foot—along with \$569 gross profit per square foot—in the latest fiscal year. That's what makes up a SuperStore!

Crazy Eddie stores have always created an intense merchandising



experience. Entering a Crazy Eddie store, the eye is met by rows of densely packed products, including more than 125 TV sets of all sizes, VCR's and VCR cameras from 20 famous brand name makers readily catch one's attention, all tuned to catch the latest action or soap opera.

Specialized free-standing islands criss-cross the aisles, jam packed with audio components, attentiongetting audio micro-systems, a wide array of portable radio and tape players, telephones, clock radios, and small consumer appliances like humidifiers, dehumidifiers, coffee makers, electric fans and air conditioners (in season), microwave ovens, toaster ovens, vacuum cleaners and other impulse purchase llems. (By the way, there are no major appliances, so-called "white goods" in Crazy Eddie stores.)

Grouped along one wall are hundreds of personal electronic items such as Walkman-type and other portable radios, telephone answering devices, microcassette recorders, portable and cellular telephones, electronic typewriters, home and auto security devices, electric shavers and calculators—you name it and Crazy Eddie has the largest selection in town.

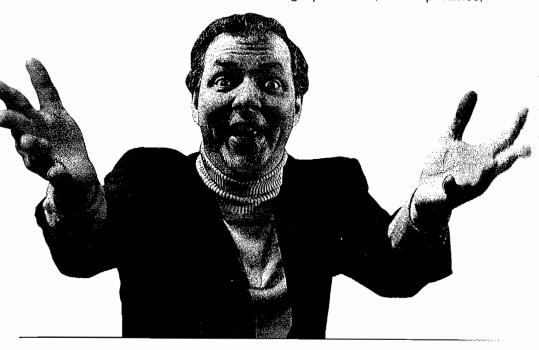
Specialized audio, computer and car stereo modules and rooms allow customers to test and compare products with or without the assistance of Crazy Eddie's trained sales personnel, all of whom are salaried, not commission, salespersons. "Making a customer, not just making a sale" has long been a Crazy Eddie byword.

Crazy Eddie is also one of the nation's largest home computer dealers with an impressive display of computers, floppy disc drives, printers, data recorders, computer monitors, furniture, and business and recreational software, along with electronic video games and joy-



sticks. With the help of trained computer sales personnel, it's no secret that Crazy Eddie's average gross home computer sales ticket is among the highest in America.

Mounds of electronic accessories—audio and video tapes, phonograph cartridges and styli, audio and video headcleaners, record cleaners, surge protectors, hook-up cables.



audio cable, speaker wire, converters, batteries, transformers and the like—abound throughout the stores, at the ends of alsles, hanging on walls, adjacent to the cash registers, and even in the service centers.

我就感慨的大概,我们就是一个人的人,我们就是一个人的人,我们就是一个人的人,我们就是一个人的人的人的人,我们就不要一个人的人的人,不是一个人的人,不是一个人的

Crazy Eddle's paramount concern with serving the customer is best exemplified in its customer service center located in every store. Trained technicians, armed with a battery of electronic test equipment, test products returned for repairs while under terms of the manufacturer's warranty, or estimate the cost of repairs. A total of 140 trained service personnel—the largest number in the industry—backed up by a Customer Service Center have made legions of friends (and repeat customers) for Crazy Eddie over the voara.

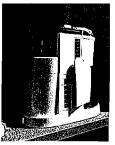
Every Crazy Eddle store also has a highly-visible Consumer Hot Line, a telephone link to headquarters. Consumers are urged to report all complaints to management—Courtesy is the Crazy Eddle Motto—and high standards are rigorously enforced.

Crazy Eddle's advertising is, of course, what made the Company's name a byword in millions of New York area homes, and elsewhere as radio, cable TV and movies have extended the reach of the Company's star salosman, Jerry Carroll, the actor and announcer, nationwide. Crazy Eddle was among the first consumer electronics retailers to advertise on radio and TV, and today is one of New York's largest spot radio and TV buyers. More than \$45 million invosted in advertising over the years in the New York market has made Crazy Eddle a household name in the "Big Apple."

That's what roally goes into the making of a Crazy Eddlo SuporStore—the ultimate in adult toy stores.









多端端端 环 24 大小星中心上涨,大小星头的上线点,他却不少多点,我们一个不过一点,一个小小点,这个人也不少一样的,只要一个小小点,只要一个小小点,还是这个端路的话,







Selected Financial Data

| | | | (In The | ousa | inds, Exce | əpt p | oer Shar | e .D | ate) | |
|--|------|-------------------|---------|---------|------------|-----------|----------|-------------|------|--------|
| | | Months d March 3, | _ | | Y | ear Ended | 3M t | ay 31, | | |
| And the state of t | | 1985 | | 1984 | | 1983 | | 1982 | | 1981 |
| Not salos | \$ 1 | 36,319 | \$ | 137,285 | \$ | 111,406 | \$9 | 98,225 | \$ | 78,246 |
| Cost of goods sold | 1 | 03,421 | | 106,934 | | 87,719 | | 76,754 | | 62,182 |
| Gross profit | | 32,898 | | 30,351 | | 23,687 | 2 | 21,471 | | 16,064 |
| Selling, general and administrative expense | | 20,508 | | 22,560 | | 19,194 | | 18,061 | | 14,064 |
| Other Income | | 1,211 | | 706 | | 594 | | 748 | | 669 |
| Internal expense | | 438 | | 522 | | 450 | | 754 | | 396 |
| Income before penalon contribution and income taxes | | 13,163 | | 7,975 | | 4,637 | | 3,404 | | 2,273 |
| Penalon contribution | | 600 | | | | 2,507 | | 2,377 | | 1,836 |
| Incomo (Axo) | | 6,734 | | 4,202 | | 1,235 | | 555 | | 268 |
| Not income | \$ | 5,829 | \$ | 3,773 | \$ | 895 | \$ | 472 | \$ | 169 |
| Weighted average number of shares | _ | 6,053 | | 5,000 | | 5,000 | | 5,000 | | 5,000 |
| Not Income per aharo | \$ | .96 | \$ | .75 | \$ | .18 | \$ | .09 | \$ | .03 |
| Cash dividends declared per share | | | \$ | | \$ | _ | \$ | | \$ | |
| Working capital (deficiency) | \$ | 18,794 | (\$ | 2,136) | (\$ | 2,736) | (\$ | 1,589) | (\$ | 2,462) |
| Total aayets | \$ | 65,528 | \$ | 36,570 | \$ | 24,707 | \$2 | 21,434 | \$1 | 16,210 |
| Long-term debt | \$ | 7,625 | \$ | 46 | \$ | 70 | \$ | 106 | \$ | 132 |
| Stockholdera' equity | \$ | 23,861 | \$ | 6,224 | \$ | 2,951 | \$ | 2,057 | \$ | 1,585 |

Refer to page 24 for unaudited Financial Statements which have been restated to correspond to the Company's new fiscal year ended March 3, 1985.

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 | | | |
|----------------------------------|---|---------------|--------------|--|
| | Nine Months Ended | Year I May | Ended 31, | |
| | March 3, 1985 | 1984 | 1983 | |
| Cost of goods sold | 75.9 | 77.9 | 78.7 | |
| Selling, general and administra- | | | | |
| tive expense | 15.0 | 16.4 | 17.2 | |
| Interest expense | .3 | .4 | .4 | |
| Income before pension contribu- | | | | |
| tion and income taxes | 9.7 | 5.8 | 4.2 | |
| Pension contribution | .4 | | 2.3 | |
| Income taxes | 4.9 | 3.1 | 1.1 | |
| Net income | 4.3 | 2.7 | .8 | |

RESULTS OF OPERATIONS

Nine months ended March 3, 1985 Compared to nine months ended February 29, 1984.

Net sales for the nine months ended March 3, 1985 were \$136.3 million, representing an increase of \$29.9 million, or 28.1%, over the comparable period ended February 29, 1984. Of this increase, \$19.3 million resulted from the inclusion for the nine months ended March 3, 1985 of net sales attributable to new stores and relocated stores not opened for both periods. Sales to affiliates decreased \$1.4 million during the period. The balance of the increase (\$12.0 million) resulted from increased sales at the eleven stores that were open throughout both periods.

Gross profit (net sales less cost of goods sold) increased by \$9.1 million for the nine months ended March 3, 1985 compared to the comparable period ended February 29, 1984. Gross profit as a percentage of net sales approximated 24.1% for the nine months ended March 3, 1985 compared to 22.3% for the nine months ended February 29, 1984 as a result of improvements in purchasing.

Selling, general and administrative expenses increased by \$3.9 million during the nine months ended March 3, 1985 as compared with the nine months ended February 29, 1984. This increase was primarily due to the additional costs incurred at the new stores during the period. Selling, general and administrative expenses as a percentage of net sales approximated 15.0% and 15.6% for the nine months ended March 3, 1985 and February 29, 1984, respectively.

The Company authorized a \$600,000 contribution to its profit sharing plan for the nine months ended March 3, 1985. No contribution was required for the nine months ended February 29, 1984. See Note 5 of Notes to Consolidated Financial Statements.

The effective tax rate for the nine months ended March 3, 1985 approximated 53.6% compared to 55.0% for the nine months ended February 29, 1984. See Noto 4 to Consolidated Financial Statements for an analysis of income tax expense.

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 eleven 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 Distributors, Ltd. increased by approximately \$1.1 million over the prior fiscal year.

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 was primarily due to the additional sales from the Company's stores during fiscal 1984. Gross profit as a percentage of net sales approx imated 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 flacal year. As discussed in Note 5 of Notes to Consolidated Financial Statements, the Company terminated the money purchase pension plan effective May 31, 1084 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.

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.

Liquidity and Capital Resources

During the period ended March 3, 1985, the Company raised approximately \$11.8 million from its initial public offering of 1.7 million shares of Common Stock completed in Soptember 1984. On March 20, 1985, the Company sold to the public an additional 200,000 shares which raised approximately \$3.9 million. At March 3, 1986, the Company had working capital of \$18.8 million. In the year ended May 31, 1984 and the nine months ended March 3, 1985, the Company generated \$4.2 million and \$6.2 million, respectively, in working capital 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 head-quarters 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 offerings referred to above, 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. Since March 3, 1985, the Company has opened three new stores in Queens, Nanuet and Massapegua, New York. The Company's current expansion plans include the opening of three additional stores during the remainder of 1985 in Livingston, New Jersey. Orange, Connecticut and New York City (150 Broadway), as well as a fourth 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 prices to decline.



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 March 3, 1985 and May 31, 1984, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for the nine months ended March 3, 1985 and for each of the two years in the period ended May 31, 1984. 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 March 3, 1985 and May 31, 1984, and the results of their operations and the changes in their financial position for the nine months ended March 3, 1985 and for each of the two years in the period ended May 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

KMG Main Hurdman

New York, New York May 2, 1985

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

| Current assets: Cash (Including \$15,057,276 of cash equivalents at March 3, 1985) Due from American Express Co. Miscellaneous receivables Merchandise inventories (Note 2) Prepald expenses Total current assets destricted dash (Note 8) Due from affiliates (Note 9) currilture, fixtures, equipment and leasehold improvements at cost, less accumulated depreciation | \$22,272,878 1,875,366 864,135 26,543,159 645,146 52,200,684 7,058,265 | \$ 1,375,470 996,020 1,607,456 23,343,346 514,473 27,836,765 |
|--|--|---|
| Cash (including \$15,057,276 of cash equivalents at March 3, 1985) Due from American Express Co. Miscellaneous receivables Merchandise inventories (Note 2) Prepuld expenses Total current assets destricted dash (Note 8) pue from affiliates (Note 9) | 1,875,366 864,135 26,543,159 645,146 52,200,684 | 996,020 1,607,456 23,343,346 514,473 |
| Due from American Express Co. Miscellaneous roceivables Merchandisc inventories (Note 2) Prepald expenses Total current assets destricted dash (Note 8) pue from affiliates (Note 9) | 1,875,366 864,135 26,543,159 645,146 52,200,684 | 996,020 1,607,456 23,343,346 514,473 |
| Miscellaneous roceivables Merchandise Inventories (Note 2) Prepald expenses Total current assets testricted cash (Note 8) Due from affiliates (Note 9) | 864,135 26,543,159 645,146 52,200,684 | 1,607,456 23,343,346 514,473 |
| Merchandiae inventories (Note 2) Prepald exponses Total current assets restricted each (Note 8) Oue from affiliates (Note 9) | 26,543,159 645,146 52,200,684 | 23,343,346 514,473 |
| Prepald expenses Total current assets lestricted cash (Note 8) Oue from affiliates (Note 9) | 645,146 52,200,684 | 514,473 |
| Total current assots lestricted cash (Noto 8) pue from affiliatos (Note 9) | 52,200,684 | |
| restricted oash (Noto 8) Due from affiliates (Note 9) | , . | 27,836,765 — |
| tue from affiliates (Note 9) | 7,058,265 | _ |
| · · · | - | |
| urniture. Ilxtures, equipment and leasehold improvements at cost, less accumulated depreciation | | 5,739,274 |
| | 0.000.000 | 1 044 005 |
| and amortization of \$1,877,560 and \$1,475,650 (Notes 2 and 3) construction in process | 3,696,008 | 1,844,305 |
| onarricaion in process | 1,153,887 1,419,667 | 1 140 100 |
| 11(3) - CH2OCA 1 (2) (2) (3) | \$65,528,511 | 1,149,190 |
| | 300,526,511 | \$36,569,534 |
| ABILITIES AND STOCKHOLDERS' EQUITY | | |
| urrent liabilities: | | |
| Notes payable banks and other (Note 7) | | \$ 2,900,000 |
| Current maturities of long-term debt (Note 8) | \$ 422,910 | 124,299 |
| | 422,910 | 3,024,299 |
| Accounts payable | 23,077,449 | 20,106,058 |
| Ungamed service contract revenue (Note 2) | 1,173,341 | 763,832 |
| Accrued expenses: | | |
| Income taxes | 6,020,462 | 5,064,698 |
| Salos taxos | 1,201,011 | 724,498 |
| Wagen and payroll taxes | 573,742 | 258,561 |
| Ponsion (Note 5) | 600,000 | 00.054 |
| Ollief Restard State Communication Communication Part of State Communication Part of Stat | 337,640 | 30,651 |
| Total current llabilities | 33,406,555 | 29,972,597 |
| ng-term debt, lees current maturities (Note 8) | 7,625,163 | 46,402 |
| gerned gerylde contract revenue (Note 2) | 635,277 | 326,520 |
| mniltmente and contingencies (Note 6) | | |
| pokholdere' equity (Notes 10 and 11): | | |
| Preferred alonk—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 6,700,000 and 5,000,000, respectively | 67,000 | 50,000 |
| Additional paid-in capital | 12,365,175 | 573,506 |
| Retained garnings | 11,429,341 | 5,600,509 |
| Total glockholdera' equity | 23,861,516 | 6,224,015 |
| | \$65,528,511 | \$36,569,534 |

Consolidated Statement of Operations

| Nine months ended March 3, 1985 and years ended May 31, 1984 and May 31, 1983 | 1985 | 1984 | 1983 |
|---|---------------|---------------|---------------|
| Net sales | \$136,319,186 | \$137,285,317 | \$111,405,591 |
| Cost of goods sold | 103,421,097 | 106,934,607 | 87,718,556 |
| Gross profit | 32,898,089 | 30,350,710 | 23,687,035 |
| Selling, general and administrative expense | 20,508,309 | 22,560,042 | 19,194,216 |
| | 12,389,780 | 7,790,668 | 4,492,819 |
| Interest and other income | 1,211,296 | 705,655 | 593,565 |
| Interest expense | (438,244) | (521,607) | (449,612) |
| Income before pension contribution and income taxes | 13,162,832 | 7,974,716 | 4,636,772 |
| Pension contribution (Note 5) | 600,000 | | 2,507,095 |
| Income before income taxes | 12,562,832 | 7,974,716 | 2,129,677 |
| Income taxes (Note 4) | 6,734,000 | 4,202,000 | 1,235,000 |
| Net income | \$ 5,828,832 | \$ 3,772,716 | \$ 894,677 |
| Net income per share (Note 2) | \$.96 | \$.75 | \$.18 |
| Weighted average number of shares | 6,053,261 | 5,000,000 | 5,000,000 |
| | | | |

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

Refer to page 24 for unaudited Financial Statements which have been restated to correspond to the Company's new fiscal year ended March 3, 1985.

Consolidated Statement of Changes in Stockholders' Equity CRAZY EDDIE, INC. AND SUBSIDIARIES

| Nine Months Finded March 3, 1985 and Years Ended May 31, 1984 and 1983 | Common -Stock | Additional Paid-in Capital | Retained Earnings | Total |
|--|------------------|----------------------------------|----------------------|--------------|
| Balance, June 1, 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 doomoct dividend (Note 1) | | | (500,000) | (500,000) |
| Balance, May 31, 1984 | 50,000 | 573,506 | 5;600,509 | 6,224,015 |
| Net Income | | _ | 5,828,832 | 5,828,832 |
| Issuance of 1,700,000 shares and warrants (net of issuance costs) | 17,000 | 11,791,669 | | 11,808,669 |
| Balance, March 3, 1985 | \$67,000 | \$12,365,175 | \$11,429,341 | \$23,861,516 |

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

Consolidated Statement of Changes crazy EDDIE, INC. AND SUBSIDIARIES in Financial Position

| Nine months ended March 3, 1985 and years ended May 31, 1984 and 1983 | 1985 | 1984 | 1980 |
|---|--------------|--------------------|---------------|
| Working capital provided from: | | | |
| Net income | \$ 5,828,832 | \$3,772,716 | \$ 894,677 |
| Add charges not affecting working capital: | | | |
| Depreciation and amortization | 417,215 | 410,385 | 327,492 |
| Loss on disposal of furniture, fixtures, equipment and leasehold improvements | 8,273 | 28,751 | |
| Working capital provided from operations | 6,254,320 | 4,211,852 | 1,222,169 |
| Issuance of common stock and warrants, less issuance costs of \$1,866,331 | 11,808,669 | | |
| Increase in long-term debt | 8,236,481 | | |
| Reduction in advances to affiliates | 7,139,885 | 4,639,130 | 1,347,83 |
| Increase in unearned service contract revenue | 308,757 | 96,497 | 64,98 |
| Insurance proceeds | | 14, <u>2</u> 43 | |
| Total working capital provided | 33,748,112 | 8,961,722 | 2,634,99 |
| Working capital used for: | | | |
| Increase in restricted cash | 7,058,265 | | |
| Acquisition of furniture, fixtures, equipment and leasehold improvements | 2,277,191 | 470,348 | 492,35 |
| Advances and sales to affiliates, net | 1,400,611 | 7,493,839 | 3,069,879 |
| Construction in process | 1,153,887 | | |
| Reduction in long-term debt | 657,720 | 23,827 | 36,673 |
| Increase in other assets | 270,477 | 103,665 | 117,960 |
| Deemed_dividend | | 500,000 | 6115 |
| Total working capital used | 12,818,151 | 8,59 <u>1</u> ,679 | 3,716,870 |
| Increase (decrease) in working capital | \$20,929,961 | \$ 370,043 | (\$ 1,081,877 |
| Changes in working capital consisted of: | | | |
| Increase (decrease) in current assets: | | | |
| Cash | \$20,897,408 | (\$ 974,270) | (\$ 733,998 |
| Due from American Express Co. | 879,346 | 161,642 | 180,018 |
| Miscellaneous receivables | (743,321) | 1,240,846 | (850,589 |
| Merchandise inventories | 3,199,813 | 8,038,638 | 2,747,740 |
| Prepaid expenses | 130,673 | 420,085_ | (75,169 |
| | 24,363,919 | 8,886,941 | 1,268,00 |
| ncrease (decrease) in current liabilities: | | | |
| Loans payable—officers and other | | (1,967,946) | 1,967,940 |
| Notes payable and current maturities of long-term debt | (2,601,389) | 2,894,783 | (4,909,67 |
| Accounts payable | 2,971,391 | 6,108,105 | 3,191,680 |
| Unearned service contract revenue | 409,509 | 114,208 | 69,679 |
| Accrued expenses | 2,654,447 | 1,367 <u>,</u> 748 | 2,030,243 |
| | 3,433,958 | 8,516,898 | 2,349,882 |
| ncrease (decrease) in working capital | \$20,929,961 | \$ 370,043 | (\$ 1,081,877 |

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

Notes to Consolidated 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. During September 1984, 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. During September 1984, 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.

In September 1984, the Company contributed an investmont in an oil and gas limited partnership (the "Partnership") with a not 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 provided for in the accompanying financial statements. 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 during September 1984, 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

Change In Fiscal Year End

The Company has changed its fiscal year end from May 31 to a 52–53 week convention ending the first Sunday in March, effective March 3, 1985.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries (collectively referred to as Crazy Eddie, Inc. or the Company), each of which is 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. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Unearned Service Contract Revenue

Payments received from customers for service contracts are deferred and amortized into income over the terms of the respective contracts, which generally do not exceed five years. Service costs relating to the service contracts are charged to operations as incurred.

Income Taxes

The Company files a consolidated federal income tax return with its wholly owned subsidiaries. Deferred income taxes are provided to reflect the tax effect of timing differences between financial and tax reporting. 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 return. 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.

Pensions

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

Pre-Opening Costs

Costs incurred in connection with the opening of new stores are expensed as incurred.

Earnings per Share

Earnings per share is computed based on the weighted average number of common shares outstanding.

3—Furniture, Fixtures, Equipment and Leasehold Improvements

The components of furniture, fixtures, equipment and leasehold improvements and their estimated useful lives were as follows at the dates indicated:

| | March 3, 1985 | May 31, 1984 | Depreciable Lives |
|---------------------------------------|------------------|-----------------|--|
| Land | \$ 714,823 | _ | |
| Office, warehouse and other equipment | 1,431,315 | \$1,063,057 | 3-10 years |
| Furniture and fixtures | 759,305 | 659,702 | 5-10 years |
| Leasehold improve- ments | 2,668,125 | 1,597,196 | Terms of lease |
| | | | * ************************************ |
| | 5,573,568 | 3,319,955 | |
| Less accumulated depreciation and | | | |
| amortization | 1,877,560 | 1,475,650 | |
| | \$3,696,008 | \$1,844,305 | |
| | | | |

4—Taxes

Income tax expense consists of:

| | Nine Months Ended | Year Ende | ed May 31, |
|-----------------|----------------------|-------------|-------------|
| | March 3, 1983 | 1984 | 1983 |
| Current: | | | |
| Federal | \$5,555,000 | \$3,287,000 | \$ 802,000 |
| State and local | 1,635,000 | 915,000 | 433,000 |
| Deferred | (456,000) | | 45-140 |
| | \$6,734,000 | \$4,202,000 | \$1,235,000 |

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:

| | | e Months d March 3. | | Year Ende | ed May 31, | |
|--|-------------|--------------------------|-------------|--------------------------|-------------|--------------------------|
| | | | | 1984 | _ | 1983 |
| AND AND THE PROPERTY OF THE PR | Amount | % of Pre-Tax Earnings | Amount | % of Pre-Tax Earnings | Amount | % of Pre-Tax Earnings |
| Computed expected tax expense | \$5,778,903 | 46.0 % | \$3,668,500 | 46.0 % | \$979,651 | 46.0 % |
| State and local taxes, net of federal income tax benefit | 882,900 | 7.0 | 494,100 | 6.2 | 233,820 | 11.0 |
| Investment and job tax credits | (75,000) | (.6) | (15,000) | (.2) | (11,000) | (.5) |
| Officers' life insurance expense | 126,605 | 1.0 | 86,480 | 1.0 | 105,800 | 5.0 |
| Charitable contributions | (21,739) | (.1) | (11,080) | (.1) | (79,956) | (3.8) |
| Olher | 42,331 | .3 | (21,000) | (.3) | 6,685 | .3 |
| | \$6,734,000 | 53.6 % | \$4,202,000 | 52.6 % | \$1,235,000 | 58.0 % |

繊維機能を含まる機能を対しませます。

The federal income tax returns of the Company for each of the last four fiscal years 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.

5-Pension Plans

The Company maintained a money purchase pension plan covering substantially all employees. Pursuant to the plan, the Company contributed a specified percentage (25%) of covered compensation to the plan for eligible employees (as defined in the plan). 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. In addition, the Company has a defined benefit pension plan covering certain eligible employees (as defined in the plan).

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. Profit sharing expense for the nine months ended March 3, 1985 amounted to \$600,000.

The aggregate pension expense for each plan was as follows for the periods indicated below:

| | Nine Months Ended March | Year End | ded May 31, |
|--|----------------------------------|----------|------------------------|
| | 3, 1985 | 1984 | 1983 |
| Profit sharing plan Money purchase pen- | \$600,000 | | #0.040.504 |
| sion plan Defined benefit pension plan | | | \$2,243,521 263,574 |
| | \$600,000 | \$ | \$2,507,095 |

6—Leases and Other Commitments

Rent expense (including amounts paid in respect of maintenance, real estate taxes and other charges) for the nine months ended March 3, 1985 amounted to \$1,652,000 and for the years ended May 31, 1984 and 1983 amounted to \$1,857,000 and \$1,501,000, respectively.

At March 3, 1985, 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 March 3, | Aggregate Minimum Rental Commitment |
|-------------------------|--|
| 1986 | \$ 3,040,000 |
| 1987 | 3,049,000 |
| 1988 | 3,016,000 |
| 1989 | 2,848,000 |
| 1990 | 2,683,000 |
| Thereafter through 2000 | 16,858,000 |
| | \$31,494,000 |

Rent expense included \$132,000 for the nine months ended March 3, 1985 and \$363,000 and \$132,000 for the years ended May 31, 1984 and 1983, respectively, for rentals paid to corporations controlled by Eddie Antar and Sam Antar or a corporation wholly owned by them.

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 9). Other income includes \$382,000 for the nine months ended March 3, 1985 and \$347,000 and \$318,000 for the years ended May 31, 1984 and 1983, respectively, in connection with these agreements.

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.

7-Notes Payable—Banks and Other

Notes payable—banks and other consist of:

| | May 31, 1984 |
|---|-----------------|
| Extebank, due June 25, 1984, with interest at 12% | \$2,400,000 |
| Note payable resulting from deemed dividend described in Note 1 | 500,000 |
| | \$2,900,000 |

8-Long-Term Debt

Long-term debt consists of the following:

| | March 3, 1985 | May 31, 1984 |
|---|------------------|-----------------|
| Series A Economic Development Bonds, payable in quarterly installments of \$51,667 beginning January 1, 1986(a) Series B Economic Development Bonds, payable in monthly installments of | \$6,200,000 | |
| payable in monthly installments of \$19,048 beginning August 1, 1985(a) | 1,600,000 | |
| Other | 248,073 | \$170,701 |
| | 8,048,073 | 170,701 |
| Less current maturities of long-term debt | 422,910 | 124,299 |
| | \$7,625,163 | \$ 46,402 |

(a) 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. Interest on the Bonds is payable monthly beginning January 1, 1985.

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As securily 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).

Restricted cash at March 3, 1985 represents monies reserved for the construction of the new corporate warehouse.

Aggregate annual maturities of the long-term debt outstanding at March 3, 1985 for each of the next five fiscal years are as follows:

| Aggregate Annual Maturity |
|------------------------------|
| \$422,910 |
| 455,866 |
| 455,866 |
| 443,819 |
| 435,238 |
| |

9-Related Party Transactions

Due from affillates consists of:

| way and watering water for mile your spaning and | May 31, 1984 |
|--|---|
| Captain Video Enterprises, Inc. (a) | \$1,824,943 |
| Benel Distributors, Ltd. (b) | 2,590,612 |
| Educators International, Inc. and the University of St. Lucia School of Medicine, Ltd. (c) Shoe Time, Inc. (d) S & M Discount Center, Inc. (e) Acousti-phase, Inc. (f) | 977,578 129,801 60,360 155,980 |
| | \$5,739,274 |

- (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, 1984 and 1983, the Company sold \$39,651 and \$318,318 of merchandise to Captain Video. In addition, during the years ended May 31, 1984 and 1983, the Company advanced Captain Video \$2,286,620 and \$19,044, respectively. Also, during the year ended May 31, 1984, Captain Video repaid \$1,586,354 to the Company. Eddie Antar has repaid all amounts owed by Captain Video to the Company. On May 30, 1985, Stereo Village Inc. announced that it intends to acquire Captain Video as of June 30, 1985.
- (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, 1984 and 1983, the Company received \$347,000 and \$318,000 pursuant to such license agreements. In addition, the Company had sales of cassette tapes to Benel of \$3,271,511 and \$2,131,506 for the years ended May 31, 1984 and 1983, respectively. In addition, the Company . advanced Benel \$200,000 and \$100,000 during the years ended May 31, 1984 and 1983, respectively. The Company terminated its sales to Benel on May 31, 1984, and will not make any further loans to or guarantee any loans for Benel. Benel has repaid the \$2,590,612 for which it was indebted to the Company at May 31, 1984.
- (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 Ell and the University which were outstanding at May 31, 1984 have been repaid by Eddie Antar.

- (d) Sam Antar 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 Lelsrael 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 have been repaid by Sam Antar.
- (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. All amounts owed by S & M Discount, Inc. to the Company have been repaid by Sam Antar.
- (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, 1984 and 1983, the Company purchased \$358,000 and \$370,000 of merchandise from Acousti-phase, Inc. The amount due at May 31, 1984 represents advances made to Acousti-phase, Inc. for working capital. All amounts owed by Acousti-phase, Inc. to the Company have been repaid by Eddie Antar.

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.

10—Stock Option Plan

On August 28, 1984, the Company adopted the Crazy Eddie, Inc. 1984 Stock Option Plan which provides for the issuance of nonqualified and incentive stock options. The Company has reserved 250,000 shares of common stock for issue to key employees under the plan.

Changes in the shares authorized, granted and available under the Stock Option Plan are as follows:

| | Number of Shares | | | | | |
|--------------------------|------------------|---------|------------------------|--|--|--|
| | Authorized | Granted | Available for Grant | | | |
| Balance, August 28, 1984 | 250,000 | | 250,000 | | | |
| Granted | _ | 132,100 | (132,100) | | | |
| Balance, March 3, 1985 | 250,000 | 132,100 | 117,900 | | | |

The exercise price of any incentive stock option shall not be 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 shall not be 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 a Committee of the Board of Directors, subject to the requirement that no option may be exercisable more than 10 years after the date of grant.

During the period ended March 3, 1985, 132,100 non-qualified options were granted at \$8.29 per share which expire September 21, 1994.

11--Stockholders' Equity

On September 20, 1984, the Company issued 1,700,000 shares of common stock in connection with its initial public offering.

On March 20, 1985, the Company issued an additional 200,000 shares of common stock to the public.

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.

12—Reclassifications

Certain items appearing in the 1984 and 1983 financial statements have been reclassified to correspond with the 1985 presentation. The reclassifications primarily relate to the presentation of cash surrender value loans and unearned service contract revenue. There was no effect on net income or stockholders' equity as a result of these reclassifications.

13—Revised Fiscal Year Financial Statements (Unaudited)

The following summarizes the operating results of the Company, restated to correspond on a comparative basis to the Company's new fiscal year ended March 3, 1985:

Consolidated Balance Sheet (unaudited)

| | 3/3/85 | 2/29/84 | 2/28/83 | | |
|--|----------|----------------|----------|--|--|
| | (In | (In thousands) | | | |
| ASSETS | · | | , | | |
| Current assets: | | | | | |
| Cash (including \$15,057 of | | | | | |
| cash equivalents at March 3 | }, | | | | |
| 1985) | \$22,273 | \$ 908 | \$ 1,332 | | |
| Due from American Express | | | | | |
| Co. | 1,876 | 1,058 | 635 | | |
| Miscellaneous receivables | 864 | 1,349 | 822 | | |
| Merchandise inventories | 26,543 | 21,964 | 18,062 | | |
| Prepaid expenses | 645 | 315 | 269 | | |
| Total current assets | 52,201 | 25,594 | 21,120 | | |
| Restricted cash | • | 20,034 | 21,120 | | |
| ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | 7,058 | E 004 | | | |
| Due from affiliates | _ | 5,661 | 1,141 | | |
| Furniture, lixtures, equipment and | | | | | |
| leasehold improvements at cost, | | | | | |
| loss accumulated depreciation | | | | | |
| and amortization of \$1,877, | 0.000 | 4 700 | 4 740 | | |
| \$1,366 and \$895 | 3,696 | 1,788 | 1,713 | | |
| Construction in process | 1,154 | | | | |
| Othor assets | 1,419 | 1,415 | 1,121 | | |
| And the second of the second s | \$65,528 | \$34,458 | \$25,095 | | |

| | 3 | /3/85 | 2/29/84 | 2/28/83 |
|--|--------------|--------------|----------|----------|
| | | (In | thousan | ds) |
| LIABILITIES AND STOCKHOLDERS | EQ | UITY | | |
| Current liabilities: | | | | |
| Notes payable—banks and other | | | \$ 1,180 | |
| Current maturities of long-term | | | Ψ 1,100 | |
| debt | \$ | 423 | 53 | \$ 132 |
| | | 423 | 1,233 | 132 |
| Loans payable—officers and | | | | |
| other | • | | 2,509 | 2,528 |
| Accounts payable Unearned service contract | 2. | 3,077 | 18,184 | 13,741 |
| revenue | • | 1,173 | 708 | 593 |
| Accrued expenses | | 3,734 | 5,775 | 4,344 |
| Total current liabilities | 33 | 3,407 | 28,409 | 21,338 |
| Long-term debt, less current maturities | 7 | ,625 | 60 | 269 |
| Unearned service contract revenue | | 635 | 303 | 254 |
| Commitments and contingencies Stockholders' equity: | _ | | | |
| Preferred stock—par value \$1.00 per share; authorized 5,000 shares, none issued | | | | |
| Common stock—par value \$.01 per share; authorized 15,000 shares, outstanding 6,700, | | | | Ø. |
| 5,000 and 5,000 respectively | | 67 | 50 | 50 |
| Additional paid-in capital | | ,365 | 574 | 574 |
| Retained earnings | <u>1</u> 1 | <u>,</u> 429 | 5,062 | 2,610 |
| Total stockholders' equity | 23 | ,861 | 5,686 | 3,234 |
| | \$6 5 | ,528 | \$34,458 | \$25,095 |

tionsolidated Statement of Operations (unaudited)

| .* | Twelve Months Ended | | | | | |
|---|---------------------|------------------|-----------------------|---------------------|--|--|
| · | March 3, 1985 | Febru 29, 19 | ary 1 984 <i>2</i> | ebruary 28, 1983 | | |
| ing The state of particular and the state of | (In thous | ands, ex data | | er share | | |
| Piet salos | \$187,147 | \$134,3 | 347 | 106,095 | | |
| that of goods sold | 127,619 | 105,3 | 313 | 83,327 | | |
| Misso profit Majorp, general and adminis- | 39,528 | 29,0 | 034 | 22,768 | | |
| halva axpanso | 26,431 | 22,0 | 056 | 18,652 | | |
| Section of the sectio | 13,097 | 6,9 | 978 | 4,116 | | |
| ÉHISE INCOING | 1,418 | | 692 | 671 | | |
| Mariast axbouno | (572) | (4 | 161) | (602) | | |
| Parating before pension contri- legion and income taxes Parating contribution | 13,943 600 | | 209 627 | 4,185 2,419 | | |
| Missing buloro Income taxes Dissing laxon | 13,343 6,976 | 6,5 3,6 | | 1,766 955 | | |
| ligh income | \$ 6,367 | \$ 2,9 |)52 \$ | 811 | | |
| he income por share | \$ 1.10 | \$. | 59 \$ | .16 | | |
| Weinfel average number of | 5,796 | 5,0 | 00 | 5,000 | | |
| STATE STATE OF THE | | | | | | |

Consolidated Statement of Changes In Financial Position (unaudited)

| | 3/3/85 | 2/29/84 | 2/28/83 |
|--|----------|------------|---------|
| | (lı | thousand | ds) |
| Working capital provided from: | | | |
| Net income | \$ 6,367 | \$ 2,952 | \$811 |
| Add charges not affecting | | | |
| working capital: | | | |
| Depreciation and amortization | 532 | 471 | 367 |
| Loss on disposal of furniture | | 4/1 | 367 |
| fixtures, equipment and | , | | |
| leasehold improvements | 37 | | |
| Working capital provided | | | |
| from operations | 6,936 | 3,423 | 1,178 |
| Issuance of common stock | | | |
| and warrants, less | 44 000 | | |
| issuance costs of \$1,866 | 11,808 | - | 150 |
| Increase in long-term debt Reduction in advances to | 8,236 | _ | 156 |
| affiliates | 8,562 | 4,375 | 1,967 |
| Increase in unearned service | | 1,070 | 1,007 |
| contract revenue | 332 | 49 | 60 |
| Insurance proceeds | 14 | | _ |
| Total working capital | | | |
| provided | 35,888 | 7,847 | 3,361 |
| Working capital used for: | | | |
| Increase in restricted cash | 7,058 | _ | _ |
| Acquisition of furniture, fixtures, | | | B. |
| equipment and leasehold improvements | 2,491 | 546 | 431 |
| Advances and sales to | 2,491 | 346 | 431 |
| affiliates, net | 2,901 | 8.895 | 2,036 |
| Construction in process | 1,154 | _ | |
| Reduction in long-term debt | 671 | 209 | _ |
| Increase in other assets | 4 | 294 | 284 |
| Deemed dividend | | 500 | |
| Total working capital used | 14,279 | 10,444 | 2,751 |
| Increase (decrease) in working | | | |
| capital | \$21,609 | (\$ 2,597) | \$610 |
| | | | |

(table continued on next page)

| A CONTRACTOR OF THE CONTRACTOR | 3/3/85 | 2 | 2/29/84 | 2/28/83 |
|--|----------|-----|---------|---------|
| A STATE OF THE STA | (lr | th | ousand | ls) |
| Changes in working capital consisted of: | | | | |
| Increase (decrease) in current assets: | | | | |
| Cash | \$21,365 | \$ | (424) | (\$387) |
| Due from American Express Co. | 818 | | 423 | 306 |
| Miscollanoous receivables | (485) | | 527 | (364) |
| Merchandiso inventories | 4,579 | | 3,902 | 4,851 |
| Prepald expenses | 330 | | 46 | 82 |
| , | 26,607 | | 4,474 | 4,488 |
| ncreaso (decrease) in current liabilities: | _ | | | |
| Loans payable—officers and other | (2,509) | | (19) | 2,528 |
| Notes payable and current maturities of long-term | | | | |
| debt | (810) | | 1,101 | (4,914) |
| Accounts payable | 4.893 | | 4,443 | 4,997 |
| Unearned service contract revenue | 465 | | 115 | 139 |
| Accrued expenses | 2,959 | | 1,431 | 1,128 |
| 27 1000 | 4,998 | | 7,071 | 3,878 |
| crease (decrease) in working capital | \$21,609 | (\$ | | \$610 |

推放收益率,以及1000年的1000年的100

| 14—Quarterly | Fir | ancia | al | Data | (L | Jnaud | ite | ed) | | |
|---------------------------------------|-----|---------|-----|---------|------|---------|------|---------|-----|---------|
| · · · · · · · · · · · · · · · · · · · | | | (| Quarter | | | | | | |
| | | First | _ 5 | Second | | Third | | | | Total |
| Nine Months Ended March 3, 1985 | | (In The | ous | sands, | Ex | cept pe | er : | Share / | Am | ounts) |
| Net sales | \$ | 32,344 | \$ | 38,684 | \$ | 65,291 | | | \$ | 136,319 |
| Gross profit | \$ | 7,519 | \$ | 8,817 | \$ | 16,562 | | | \$ | 32,898 |
| Net income | \$ | 1,141 | \$ | 1,380 | \$ | 3,308 | | | \$ | 5,829 |
| Net income per share* | \$ | .23 | \$ | .21 | \$ | .49 | | | \$ | .96 |
| | | | | Qua | arte | er | | | | |
| | | First | S | econd | _ | Third | F | ourth | | Total |
| Year Ended May 31, 1984 | | (In Tho | bus | ands, I | Exc | cept pe | er S | Share A | ۹me | ounts) |
| Net sales | \$2 | 27,510 | \$3 | 30,699 | \$ | 48,248 | \$ | 30,828 | \$ | 137,285 |
| Gross profit | \$ | 6,326 | \$ | 6,752 | \$ | 10,642 | \$ | 6,631 | \$ | 30,351 |
| Net income | \$ | 884 | \$ | 479 | \$ | 1,872 | \$ | 538 | \$ | 3,773 |
| Net income per share | \$ | .17 | \$ | .10 | \$ | .37 | \$ | .11 | \$ | ø75 |

^{*}Due to weighting and rounding, the sum of the earnings per share for the quarters will not equal the total.

Store Locations

Block Prices

From completion of the Company's initial public offering in September 1984, the Common Stock of the Company was traded in the over-the-counter market by NASDAQ under the symbol CRZY. Effective February 12, 1985, Crazy Eddie was included in the NASDAQ National Market System. Prices shown prior to that date are bid prices; after February 12, high and low prices are shown.

| | High | Low |
|---|---------|---------|
| 1004 | | |
| Third Quarter (from September 13, 1984) | \$101/6 | \$ 81/4 |
| Fourth Quarter | 11% | 8% |
| 1996 | | |
| First Quarter | \$21% | \$10% |
| Second Quarter (through May 28) | 27 | 19% |

As of May 17, 1985, there were 387 holders of record of the Common Stock, excluding holders whose stock is held in nominee or street name by brokers.

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 leasters of the Common Stock in the foreseeable haure.

| | Year | Gross Space (Approx.) | Selling (Approx.) |
|--|--------|--------------------------|----------------------|
| 405 Ave. of the Americas | Opened | (square feet) | (square feet) |
| New York, New York | 1975 | 7,111 | 1,870 |
| 300 East Fordham Road Bronx, New York | 1976 | 13,650 | 5,900 |
| 2067 Coney Island Avenue Brooklyn, New York | 1977 | 16,000 | 6,864 |
| 809 Route 17 Paramus, New Jersey | 1977 | 13,735 | 5,779 |
| 269 Route 18 East Brunswick, New Jersey | 1978 | 27,913 | 8,423 |
| 2155 Route 22 West Union, New Jersey | 1979 | 8,400 | 4,400 |
| 393 North Central Avenue Hartsdale, New York | 1979 | 15,658 | 6,692 |
| 401 Old Country Road Carle Place, New York | 1980 | 20,231 | 7,871 |
| 212 East 57th Street New York, New York | 1981 | 12,208 | 5,316 |
| 426 Westport Avenue Norwalk, Connecticut | 1983 | 10,000 | 3,959 |
| Route 46 West and Riverview Drive Totowa, New Jersey | 1983 | 7,140 | 3,871 |
| 1010 Smithtown Bypass Nesconset, New York | 1984 | 9,992 | 4,398 |
| 350 Jericho Turnpike Syosset, New York | 1984 | 12,500 | _æ 3,607 |
| 165 East 86th Street New York, New York | 1984 | 9,870 | 2,650 |
| 30 Jensen Street Fords, New Jersey | 1984 | 8,576 | 2,920 |
| 1000 Sunrise Highway Massapequa, New York | 1985 | 9,800 | 3,240 |
| 175 Rockland Center Nanuet, New York | 1985 | 12,600 | 4,950 |
| 89-22 Queens Boulevard Elmhurst, New York | 1985 | 9,531 | 3,032 |
| 449 West Mount Pleasant Avenue Livingston, New Jersey* | 1985 | 7,750 | 2,616 |
| 116 Boston Post Road Orange, Connecticut* | 1985 | 7,097 | 3,566 |
| 150 Broadway New York, New York* | 1985 | 12,150 | 4,625 |
| Carter Drive Edison, New Jersey* | 1985 | _ | |
| | | | |

^{*} New Store Openings

Corporate Officers and Directors

Officers

Eddie Antar

Chairman of the Board

President, Chief Executive Officer

Sam Antar

Executive Vice President

Mitchell Antar

Executive Vice President

Marketing

David Pardo

Executive Vice President

Purchasing

Mort Gindi

Vice President

Operations

David V. Panoff

Vice President

Consumer Service Operations

Eddy Antar

Treasurer

Sam E. Antar, CPA

Controller

Solomon E. Antar

Secretary and General Counsel

Board of Directors

Eddie Antar

Chairman of the Board

President, Chief Executive Officer

Sam Antar

Executive Vice President

Mitchell Antar

Executive Vice President

Marketing

Eddy Antar Treasurer

James H. Scott, Jr.*

Professor of Finance Columbia University

Columbia University

Graduate School of Business

Carl G. Zimel*

Senior Vice President

Midland Bank and Trust Co.

Paramus, New Jersey

* Audit Committee

Progressing Smoothly

Work is progressing smoothly on the \$7.8 million new corporate headquarters and central ware-house and distribution center at Edison in Middlesex County, New Jersey, to be occupied later this year. The new facility, which is being constructed on a 10.6 acre site, with easy access from the New Jersey Turnpike and Route 1, 27 and 287, will replace outmoded quarters in Brooklyn, NY.

The new facility will have approximately 210,000 square feet of space of which 110,000 square feet will house the Company's new executive office, a new retail store, a Central Service Center and a warehouse distribution center designed to support anticipated growth of up to 50 stores.

Crazy Eddie plans to lease the remaining 100,000 square feet to Benel Distributors, Inc., which sells pre-recorded audio and video cassettes and records in leased departments in the chain's stores, and to other parties on a short-term basis. Sublease income; savings in payroll and trucking costs; improved materials handling procedures, and anticipated reductions in state and city taxes are expected to more than offset the financing and operating costs of the new facility.

Charcholder Information

Headquartera

Crasy Eddie, Inc. Path Coney Island Ave. Browklyn, NY 11235 (710) 034-0100

Annual Meeting of Shareholders

Date Itily 18, 1985 Need 1100 a.m. Plans The Halloren House 825 Lexington Avenue New York, New York

Availability of Form 10-K

A copy of the Orazy Eddie, Inc. Form is a unital report to the Securities and the lange Commission may be obtained by crazy Eddle shareholders free of charge by willing to: Shareholder Relations, Crazy Eddle, Inc., 2845 Coney lateral Ave., Brooklyn, NY 11235.

General Counsel

Paul, Weiss, Rifkind, Wharton & Garrison New York, NY

Independent Auditors

KMG Main Hurdman New York, NY

Investor Relations Counsel

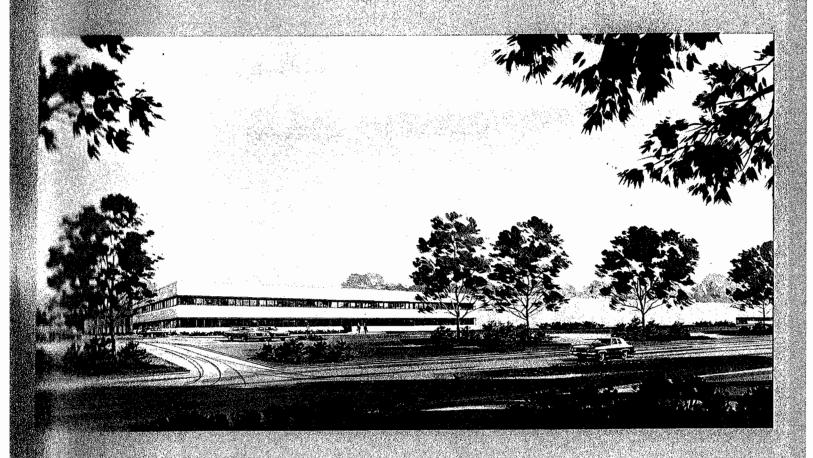
The Colloton Group New York, NY

Transfer Agent and Registrar

Bank Leumi New York; NY

Stock Exchange Listing

The common stock of Crazy Eddie, Inc. is traded on the National Market System under the NASDAQ symbol CRZY.



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機能物理 (1985年) 1987年 - 1987年

Crazy Eddle Inc. 2845 Coney Island Avenue Brooklyn, NY 11235.