

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended June 2, 1985

Commission file number 2-91259

CRAZY EDDIE, INC.

(Exact name of registrant as specified in its charter)

Delaware

11-2667288

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

2845 Coney Island Avenue, Brooklyn, New York

11235

(Address of principal executive offices)

(Zip Code)

(718) 934-0100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,  
if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No     

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Date</u>	<u>Class</u>	<u>Shares Outstanding</u>
<u>June 11, 1985</u>	<u>Common Stock - \$.01 par value</u>	<u>6,902,000</u>
<u>                    </u>	<u>                                    </u>	<u>                    </u>

CRAZY EDDIE, INC.

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## Part I. Financial Information

## Item 1. Financial Statements

CRAZY EDDIE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEET

	June 2, 1985 (Unaudited) (In Thousands)	March 3, 1985
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$18,835	\$22,273
Due from American Express Co.	1,822	1,876
Merchandise inventories	27,117	26,543
Prepaid expenses and other current assets	1,277	1,509
Total current assets	49,051	52,201
Restricted cash	5,707	7,058
Furniture, fixtures, equipment and leasehold improvements - at cost, less accumulated depreciation and amortization of \$2,007,000 and \$1,878,000, respectively	4,811	3,696
Construction in process	1,807	1,154
Other assets	1,502	1,419
	<u>\$62,878</u>	<u>\$65,528</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 444	\$ 423
Accounts payable	19,459	23,077
Unearned service contract revenue	1,262	1,173
Accrued expenses	4,669	8,734
Total current liabilities	25,834	33,407
Long-term debt, less current maturities	7,460	7,625
Unearned service contract revenue	684	635
Stockholders' equity:		
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 6,902,000 and 6,700,000 shares, respectively	69	67
Additional paid-in capital	16,261	12,365
Retained earnings	12,570	11,429
Total stockholders' equity	28,900	23,861
	<u>\$62,878</u>	<u>\$65,528</u>

See accompanying notes to consolidated  
condensed financial statements.



CRAZY EDDIE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

(In Thousands, Except per Share Amounts)

	Three Months Ended	
	June 2, 1985	May 31, 1984
Net sales	\$45,843	\$30,828
Cost of goods sold	<u>35,482</u>	<u>24,198</u>
Gross profit	10,361	6,630
Selling, general and administrative expenses	8,135	5,923
Other income	473	207
Interest expense	<u>(218)</u>	<u>(134)</u>
Income before pension contribution and income taxes	2,481	780
Pension contribution	<u>-</u>	<u>-</u>
Income before income taxes	2,481	780
Income taxes	<u>1,340</u>	<u>242</u>
Net income	<u>\$ 1,141</u>	<u>\$ 538</u>
Earnings per share	<u>\$ .17</u>	<u>\$ .11</u>
Weighted average number of shares outstanding	<u>6,881</u>	<u>5,000</u>

See accompanying notes to consolidated  
condensed financial statements.



CRAZY EDDIE, INC. AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED STATEMENT OF  
 CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
		(In Thousands)		
Balance, March 3, 1985	\$67	\$12,365	\$11,429	\$23,861
Net income, three months ended June 2, 1985			1,141	1,141
Issuance of 202,000 common shares	2	3,896		3,898
Balance, June 2, 1985	\$69	\$16,261	\$12,570	\$28,900

See accompanying notes to consolidated  
 condensed financial statements.



CRAZY EDDIE, INC. AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED STATEMENT OF  
 CHANGES IN FINANCIAL POSITION

(Unaudited)  
 (In Thousands)

	<u>Three Months Ended</u>	
	<u>June 2, 1985</u>	<u>May 31, 1984</u>
Working capital provided from:		
Net income	\$1,141	\$538
Add charges not affecting working capital:		
Depreciation and amortization	<u>134</u>	<u>110</u>
Working capital provided from operations	1,275	648
Decrease in restricted cash	1,351	
Decrease (increase) in other assets	(83)	266
Increase in unearned service contract revenue	49	23
Issuance of common stock, less issuance costs of \$79	<u>3,898</u>	<u>      </u>
Total working capital provided	<u>6,490</u>	<u>937</u>
Working capital used for:		
Acquisition of furniture, fixtures, equipment and leasehold improvements	1,249	166
Construction in process	653	
Advances and sales to affiliate - net		78
Reduction in long-term liabilities	<u>165</u>	<u>14</u>
Total working capital used	<u>2,067</u>	<u>258</u>
Increase in working capital	<u>\$4,423</u>	<u>\$679</u>

See accompanying notes to consolidated  
 condensed financial statements.



CRAZY EDDIE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

Public Offering

On March 20, 1985, the Company sold to the public 200,000 shares of common stock at a price of \$21 per share.

Basis of Presentation

Financial information for the three months ended June 2, 1985 and May 31, 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. The notes included herein should be read in conjunction with the notes to the consolidated financial statements of the Company at March 3, 1985 and May 31, 1984, and for the nine months ended March 3, 1985 and the fiscal years ended May 31, 1984 and 1983 included in the Company's annual report on Form 10-K.

Inventories

Merchandise inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market. The inventory at June 2, 1985 has been computed based upon the gross profit method.

Taxes

Income tax expense has been provided based upon management's estimate of the annualized effective tax rate.

Earnings per Share

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



## CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Continued)

(Unaudited)

Item 2. Management's Discussion and Analysis  
of Financial Condition and Results  
of OperationsResults of Operations

Net sales and net income recorded by the Company continued to improve for the three months ended June 2, 1985, compared to the corresponding period in the prior fiscal year. Net sales for the three months ended June 2, 1985 were \$45,800,000, an increase of 48.7%, or approximately \$15,000,000 over the same period in the prior fiscal year. Of this increase, \$9.1 million resulted from new stores opened during the period; the balance of \$5.9 million was attributable to the Company's other stores, representing a 20.5% comparable store increase.

Gross profit (net sales less cost of goods sold) increased \$3,731,000 in the three-month period ended June 2, 1985, 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 21.5% for the three months ended May 31, 1984 to 22.6% for the three months ended June 2, 1985. The increased gross profit margin resulted from continued improvement in purchasing.

Selling, general and administrative expenses as a percentage of net sales improved by approximately 1.5%, and approximated 19.2% for the three months ended May 31, 1984, compared to 17.7% for the three months period ended June 2, 1985. The increase in net sales for the more recent three-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 periods of the preceding fiscal year. The increase in selling, general and administrative expenses in absolute dollars from \$5,923,000 for the three months ended May 31, 1984 to \$8,135,000 for the three months ended June 2, 1985 primarily resulted from the costs incurred at the new stores opened during the Company's current fiscal year.



## CRAZY EDDIE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Continued)

(Unaudited)

Item 2. Management's Discussion and Analysis  
of Financial Condition and Results  
of Operations (Continued)Liquidity and Capital Resources

On March 20, 1985, the Company completed a secondary public offering of 200,000 shares of common stock. As a result of the offering, the Company received approximately \$3.9 million of net proceeds, the substantial portion of which remains available to finance additional store openings. At June 2, 1985, the Company had total working capital of \$23,217,000. During the three months ended June 2, 1985, the Company generated \$1,275,000 from operations.

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 without any material adverse effect on its financing condition or future operations. The Company's current expansion plans include the opening of four new stores during the next six months of 1985 in Livingston and Edison, New Jersey; Orange, Connecticut; and the Borough of Manhattan (150 Broadway) in New York City.



## Part II. Other Information

### Item 1. Legal Proceedings

The registrant had been 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 was seeking damages in the aggregate amount of \$3,600,000 based upon an alleged agreement in or about October 1983 between himself and the registrant relating to services to be performed by the plaintiff in connection with a proposed public offering of the registrant's common stock, \$.01 par value. The registrant filed a motion for summary judgment in favor of registrant dismissing all of plaintiff's claims. On March 22, 1985, registrant's motion was granted and all such claims were dismissed.

On April 19, 1985 the registrant received notice that the plaintiff had filed an appeal in connection with the granting of the registrant's motion for summary judgment.

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

None.

#### (b) Reports on Form 8-K

On March 29, 1985 the registrant filed a report on Form 8-K reporting:

- (1) The completion, on March 20, 1985, of a public offering of 1,200,000 shares of the registrant's common stock, \$.01 par value;
- (2) The change in fiscal year end from May 31 to the first Sunday in March, effective March 3, 1985; and
- (3) The granting, on March 22, 1985, of the registrant's motion for summary judgment and dismissal of all claims in Gerald Newman v. Crazy Eddie, Inc., an action filed in the New York Supreme Court, Westchester County, in September 1984.




## CRAZY EDDIE, INC. AND SUBSIDIARIES

SIGNATURES

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

CRAZY EDDIE, INC.  
(Registrant)

July 15, 1985  
(Date)

By /S/ Eddie Antar   
Eddie Antar,  
Chairman of the Board,  
President and Chief  
Executive Officer

July 15, 1985  
(Date)

By /S/ Eddy Antar  
Eddy Antar,  
Treasurer and Principal  
Financial Officer