

MAJESCO HOLDINGS INC
Form S-1/A
July 30, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 29, 2004
REGISTRATION NO. 333-115822

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
PRE-EFFECTIVE AMENDMENT NO. 1 TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MAJESCO HOLDINGS INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	7372 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	606-1529524 (IRS EMPLOYER IDENTIFICATION NO.)
---	--	---

160 RARITAN CENTER PARKWAY
EDISON, NEW JERSEY 08837
(732) 225-8910
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JAN E. CHASON
CHIEF FINANCIAL OFFICER
MAJESCO HOLDINGS INC.
160 RARITAN CENTER PARKWAY
EDISON, NEW JERSEY 08837
(732) 225-8910
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH COPIES TO:

FAITH L. CHARLES
MINTZ LEVIN COHN FERRIS
GLOVSKY AND POPEO, P.C.
CHRYSLER CENTER
666 THIRD AVENUE
NEW YORK, NY 10017
(212) 935-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. [X]

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

=====

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 29, 2004

PROSPECTUS

MAJESCO HOLDINGS INC.
160 RARITAN CENTER PARKWAY
EDISON, NEW JERSEY 08837
(732) 225-8910

61,582,000 SHARES OF COMMON STOCK

Selling stockholders identified in this prospectus may sell up to 61,582,000 shares of common stock of Majesco Holdings Inc. This Prospectus covers the sale of such shares from time to time by the selling stockholders. We will not receive any proceeds from the sale of these shares.

Our common stock is quoted on the Over-the-Counter Bulletin Board under the

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

symbol "MJSH." On July 28, 2004, the last reported sale price of the common stock was \$2.87.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SHARES ONLY IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. SEE "RISK FACTORS" BEGINNING ON PAGE 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2004

TABLE OF CONTENTS

	PAGE

Prospectus Summary	1
Risk Factors	3
Special Note Regarding Forward-Looking Statements;	7
Use of Proceeds	7
Market for Registrant's Common Equity and Related Stockholder Matters	8
Selected Financial Data	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Description of Business	19
Management	31
Related Party Transactions	35
Principal Stockholders	36
Selling Stockholders	37
Plan of Distribution	41
Description of Capital Stock	41
Legal Matters	44
Experts	44
Where You Can Find Additional Information	45
Index to Financial Statements	F-1

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. This document may only be used where it is legal to sell these securities. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

PROSPECTUS SUMMARY

This summary highlights the most important features of this offering and

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

the information contained elsewhere in this prospectus. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under "Risk Factors".

MAJESCO HOLDINGS INC.

Majesco Holdings Inc., through its subsidiary Majesco Sales Inc., or MSI, is a developer, publisher and distributor of interactive entertainment products for Microsoft's Xbox(R) video game system, Sony PlayStation(R)2 computer entertainment system, and Nintendo GameCube(TM) and Game Boy(R) Advance systems, as well as the personal computer. The Company's 2004 lineup includes BloodRayne 2, the sequel to its popular action/horror series and the launch of its Game Boy(R) Advance Video product line, which utilizes the Company's proprietary video compression technology to enable consumers to view commercial-grade video on a standard Nintendo Game Boy Advance system. Advent Rising, the first in a trilogy of action/adventure games, will ship to stores in the first half of 2005. Our website address is www.majesco.com. The information and other content contained on our website is not incorporated by reference into this prospectus.

THE OFFERING

Selling stockholders identified in this prospectus may sell up to 61,582,000 shares of our common stock, par value \$0.001 per share. The selling stockholders may sell their shares according to the plan of distribution described on page 41 below. We will not receive any proceeds from the sale of these shares. We will bear the expenses related to the registration of the common stock.

The 61,582,000 shares of common stock being sold by the selling stockholders include:

- o 2,000,000 shares of common stock issued upon conversion of an outstanding convertible note dated as of November 25, 2003;
- o 25,830,000 shares of common stock issuable upon the conversion of 7% convertible preferred stock that was issued in our private placement completed on February 26, 2004;
- o 25,830,000 shares of common stock issuable upon the exercise of warrants having an exercise price of \$1.00 per share that were issued in our private placement completed on February 26, 2004;
- o 1,000,000 shares of common stock issuable upon (i) the conversion of 7% convertible preferred stock (500,000 shares) and (ii) warrants having an exercise price of \$1.00 per share (500,000 shares), that were issued to Jesse Sutton in exchange for previously outstanding indebtedness;
- o 1,000,000 shares of common stock issuable upon (i) the conversion of 7% convertible preferred stock (500,000 shares) and (ii) warrants having an exercise price of \$1.00 per share (500,000 shares), that were issued to Joseph Sutton in exchange for previously outstanding indebtedness; a

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

- o 2,520,000 shares of common stock issuable upon (i) the conversion of 7% convertible preferred stock (1,260,000 shares) and (ii) warrants having an exercise price of \$1.00 per share (1,260,000 shares), as the securities underlying the placement agent warrant to purchase units that was issued to JMP Securities;
- o 1,000,000 shares of common stock issuable upon (i) the conversion of 7% convertible preferred stock (500,000 shares) and (ii) warrants having an exercise price of \$1.00 per share (500,000 shares), as the securities underlying the placement agent warrant to purchase units that was issued to JMP Asset Management LLC as a portion of the placement agent fee issued in connection with a private placement completed on February 26, 2004;
- o 1,840,000 shares of common stock issuable upon (i) the conversion of 7% convertible preferred stock (920,000 shares) and (ii) warrants having an exercise price of \$1.00 per share (920,000 shares), as the securities underlying the placement agent warrant to purchase units that was

1

issued to Atlantis Equities, Inc. as a portion of the placement agent fee issued in connection with a private placement completed on February 26, 2004;

- o 302,000 shares of common stock issued to CEOcast, Inc. pursuant to a consulting agreement, dated as of November 8, 2003;
- o 160,000 shares of common stock issued to Hayden Communications, Inc. pursuant to a consulting agreement, dated as of November 26, 2003; and
- o 100,000 shares of common stock issued to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. pursuant to a settlement agreement, dated as of December 5, 2003.

Our symbol on the Over-the-Counter Bulletin Board is "MJSH." As of July 28, 2004 there were 81,000,572 shares of our common stock issued and outstanding.

2

RISK FACTORS

Investing in our stock is highly speculative and risky. You should be able to bear a complete loss of your investment. You should carefully consider the risks described below as well as other information contained in this prospectus before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.

FACTORS AFFECTING OUR BUSINESS CONDITION

The risks described below are those associated with our newly acquired subsidiary, MSI. In addition to the other information and factors included in this prospectus, the following factors should be considered in evaluating our business and future prospects:

WE HAVE EXPERIENCED RECENT NET LOSSES AND WE MAY INCUR FUTURE LOSSES.

In fiscal years 2002 and 2003, we incurred net losses of \$751,000 and \$10,841,000, respectively. We believe these net losses were principally related to financing costs, litigation and impairment reserves. There can be no assurances that we will not continue to experience net losses.

NON-CASH CHARGES TO OPERATIONS RESULTING FROM THE PRIVATE PLACEMENT MAY CAUSE OUR STOCK TO BE LESS ATTRACTIVE TO INVESTORS AND/OR ADVERSELY AFFECT OUR BUSINESS PROSPECTS.

In accordance with Emerging Issues Task Force Issue 00-19, or EITF 00-19, "Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in, a Company's Own Stock", we have initially accounted for the fair value of the warrants issued in the private placement as a liability until a registration statement for the resale of the underlying shares of common stock to be issued upon the conversion of the preferred stock and the exercise of the warrants is declared effective. As of the closing date of the private placement, the fair value of the warrants was approximately \$21 million calculated utilizing the Black-Scholes option pricing model. In addition, changes in the market value of our common stock from the closing date through the effective date of the registration statement will result in non-cash charges or credits to operations to reflect the change in fair value of the warrants during this period. At the effective date of the registration statement, the fair value of the warrants will be reclassified to equity and, accordingly, the net effect of the application of the EITF 00-19 would not be expected to have a material impact on our financial position and our business. However, in the interim, the effect of the EITF 00-19 will be to record an initial liability and then to record non-cash charges or credits to our operating results to reflect the change in the fair value. Accordingly, the accounting treatment may have a negative impact on the way we are perceived by investors and by potential customers and partners. Further, it may have an adverse effect on our stock price and business prospects.

THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, OR NASD, HAS CONDUCTED A REVIEW OF CERTAIN UNUSUAL TRADING ACTIVITY IN OUR COMMON STOCK WHICH COINCIDES WITH THE SIGNING OF THE LETTER OF INTENT WITH RESPECT TO THE MERGER, THE OUTCOME OF WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REPUTATION, LISTING, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND LIQUIDITY.

On December 17, 2003 we received a letter from the NASD's Market Regulation Department stating that the NASD was conducting a review of unusual trading activity in our common stock between the time of the signing of the letter of intent with respect to the Merger and the date that we announced that a letter of intent was signed. There also appears to be unusual trading activity around the time of the signing of the definitive agreement for the Merger and prior to

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

the announcement of such signing.

By letter dated April 22, 2004, the NASD indicated that it had concluded its review and thanked us for our cooperation in the review. The letter indicated that the NASD referred the matter to the SEC for whatever action, if any, the SEC deems appropriate. The letter concluded that "This referral should not be construed as indicating that any violations of the federal securities laws or the NASD Conduct Rules have occurred, or as a reflection upon the merits of the security involved or upon any person who effected transactions in such security." If we are sanctioned or otherwise held liable for this trading, any such sanctions could have a material adverse effect on our

3

reputation, listing, financial condition, results of operations and liquidity. In addition, it is possible that such matters may give rise to civil or criminal actions.

OUR BUSINESS IS SEASONAL AND CYCLICAL WHICH MAY CAUSE OUR OPERATING RESULTS TO FLUCTUATE, AND IF WE DO NOT PERFORM WELL IN PEAK SELLING SEASONS, OUR EARNINGS COULD BE ADVERSELY IMPACTED.

Our business is highly seasonal, and fluctuates greatly on a quarterly basis with the highest levels of consumer demand, and a significant percentage of our revenue, occurring in the October through December calendar quarter. Our net revenues for each fourth quarter of each of our last two fiscal years was approximately one-third of each such year's revenues. The timing of hardware platform introduction is often tied to the year-end holiday season and is not within our control. In addition, if we miss this key selling period, due to product or approval delays, delayed introduction of a new platform for which we have developed products, shipping delays, weather or any other reason, our sales will suffer disproportionately.

Our industry is also cyclical. Videogame platforms have historically had a life cycle of four to six years. As one group of platforms is reaching the end of its cycle and new platforms are emerging, consumers often defer game software purchases until the new platforms are available, causing sales to decline. This decline may not be offset by increased sales of products for the new platform.

Videogame products typically have market life spans of only three to 12 months. Our new products may not achieve and sustain market acceptance during the short life cycle sufficient to generate revenue to recover our investment in developing the products and to cover our other costs. Delays that prevent or otherwise hinder the release of our products, especially during peak selling seasons, will reduce lifetime sales of those products and our reputation in the marketplace which could adversely affect our business and financial results.

CUSTOMER ACCOMMODATIONS COULD MATERIALLY ADVERSELY AFFECT OUR EARNINGS WHICH MAY CAUSE A DECREASE IN OUR STOCK PRICE.

When demand for specific games falls below expectations, we sometimes negotiate accommodations to retailers or distributors in order to maintain our relationships with our customers and access to the distribution channels. These accommodations include our not requiring that all booked orders be filled. We also negotiate price discounts and credits against future orders with our

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

customers. The conditions our customers must meet to be granted price protection or other allowances are, among other things, compliance with applicable payment terms, delivery to us of weekly inventory and sell-through reports, and participation in the launches of our premium title releases. When we offer price protection, we offer it with respect to a particular product to all of our retail customers, however, only those customers who meet the conditions detailed above can avail themselves of such price protection. We also offer a 90-day limited warranty to our end users that our products will be free from manufacturing defects.

At the time of product shipment, we establish reserves, including reserves under our policies for price protection and other allowances. These reserves are established according to our estimates of the potential for markdown allowances based upon historical rates, expected sales, retailer inventories of products and other factors. Although we believe that the reserves that we have established for customer accommodations are adequate, there is the possibility that actual customer accommodations could exceed our reserves. The effect of this would be a further reduction in our earnings. We cannot predict with certainty the amount or nature of accommodations that will be provided to our customers in the future.

INCREASED COMPETITION FOR LIMITED SHELF SPACE AND PROMOTIONAL SUPPORT FROM RETAILERS COULD AFFECT THE SUCCESS OF OUR BUSINESS AND REQUIRE US TO INCUR GREATER EXPENSES TO MARKET OUR PRODUCTS.

Retailers typically have limited shelf space and promotional resources to support any one product among an increasing number of newly introduced entertainment software products. Competition for retail shelf space is expected to increase, which may require us to increase our marketing expenditures. Competitors with more extensive lines, popular products and financial resources frequently have greater bargaining power with retailers. Accordingly, we may not be able to achieve or maintain the levels of support and shelf space that such competitors receive. As a result, sales of our products may be less than expected which would have a materially negative effect on our financial condition, results of operations and future prospects.

OUR ACTIVITIES WILL REQUIRE ADDITIONAL FINANCING, WHICH MAY NOT BE OBTAINABLE ON ACCEPTABLE TERMS, IF AT ALL.

As our business expands, we expect to increase our expenditures on sales, marketing, licensing and product development efforts. Although there can be no assurance, our management believes that there are sufficient

capital resources from operations, including our factoring and purchase order financing arrangements, and from funds received in our recently completed private placement, to finance our operational requirements through October 31, 2004. If we incur operating losses, or if unforeseen events occur that would require additional funding, we may need to raise additional capital or incur debt to fund our operations. We would expect to seek such capital through sales of additional equity or debt securities and/or loans from banks, but there can be no assurance that such funds will be available to us on acceptable terms, if at all, and any such sales of additional securities will be dilutive to investors in this Offering. Failure to obtain such financing or obtaining it on

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

terms not favorable to us could have a material adverse effect on future operating prospects and continued growth.

OUR PLATFORM LICENSORS ARE ALSO COMPETITORS AND FREQUENTLY CONTROL THE MANUFACTURING AND ACCESS TO OUR VIDEOGAME PRODUCTS. IF THEY DO NOT APPROVE OUR PRODUCTS, WE WILL BE UNABLE TO MAKE SALES OF OUR PRODUCTS.

Our intellectual property licenses generally require that we submit new products developed under licenses for approval prior to release. In addition, some of our hardware licensors, such as Sony for the PlayStation 2(TM), Microsoft for the Xbox(TM) and Nintendo for the GameCube(TM) and Game Boy Advance(TM), are also competitors. While we believe our relationships with our hardware licensors are positive, the potential for delay or refusal to approve or support our products exists. Such occurrences would hurt our business and have a material adverse impact on our financial performance and future growth prospects.

IF WE ARE UNABLE TO MAINTAIN OR ACQUIRE LICENSES TO INTELLECTUAL PROPERTY, WE WILL PUBLISH FEWER TITLES AND OUR REVENUE MAY DECLINE WHICH MAY CAUSE A DECREASE IN OUR STOCK PRICE.

Although we continue to develop our own intellectual property, most of our products are based on or incorporate intellectual property and other character or story rights acquired or licensed from third parties. The license and distribution agreements providing for these rights are generally limited in scope (e.g., platform and geographic territory) and generally last for two to three years. We cannot be certain that we will be able to obtain new licenses, renew licenses when they expire or include new products in existing licenses. If we are unable to obtain new licenses or maintain existing licenses which have significant commercial value, or maintain such licenses at reasonable costs, we will be unable to increase our revenue in the future other than through sales or licensing of our independently created material. While we have generally been able to renew expiring licenses on acceptable terms, we cannot be certain that we will be able to do so in the future, and any failure in this regard, may have a negative impact on our operating results.

IF WE DO NOT DEVELOP PRODUCTS FOR WIDELY ACCEPTED NEW VIDEOGAME PLATFORMS, OUR BUSINESS WILL SUFFER.

We derive most of our revenue from the sale of products for play on proprietary videogame platforms of third parties, such as Sony's PlayStation 2(TM), Microsoft's Xbox(TM) and Nintendo's GameCube(TM) and Game Boy(TM). Therefore, the success of our products is driven in large part by the success of new videogame hardware systems and our ability to accurately predict which platforms will be most successful in the marketplace. Technology changes rapidly in our industry, and if we fail to anticipate new technologies, the quality, timeliness and competitiveness of our products will suffer. We must make product development decisions and commit significant resources well in advance of the anticipated introduction of a new platform. A new platform for which we are developing products may be delayed, may not succeed or may have a shorter life cycle than anticipated. If the platforms for which we are developing products are not released when anticipated or do not attain wide market acceptance, our revenue growth will suffer.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

EVEN IF A NEW PLATFORM IS SUCCESSFUL, WE MUST CONTINUE TO DELIVER AND MARKET PRODUCTS THAT ARE WIDELY ACCEPTED IN THE MARKETPLACE.

Even if we are able to accurately predict which videogame platforms will be most successful, we must deliver and market videogames that are accepted in our extremely competitive marketplace. Development and marketing efforts require substantial investment of time, money, personnel and other resources that we cannot be assured to ever recoup from our final products. In the event we are not successful in developing, licensing, marketing or distributing videogames that gain wide acceptance in the marketplace, our financial condition, results of operations and future prospects could be materially negatively affected.

COMPETITION IN THE INTERACTIVE ENTERTAINMENT SOFTWARE INDUSTRY MAY LEAD TO REDUCED SALES OF OUR PRODUCTS, REDUCED PROFITS AND REDUCED MARKET SHARE.

5

Microsoft, Sony and Nintendo, currently the largest companies operating in the entertainment hardware and software industry, have the financial resources to withstand significant price competition and to implement extensive advertising campaigns. Many of our other competitors also have far greater financial, technical, personnel and other resources than we do, and many are able to carry larger inventories and adopt more aggressive pricing policies. Prolonged price competition or reduced operating margins could cause a significant decrease in our profits. In addition, as competition for popular properties increases, our cost of acquiring licenses for such properties may increase, resulting in reduced profit margins. Prolonged price competition, increased licensing costs or reduced profit margins would have a materially negative effect on our financial condition, results of operations and future prospects.

APPROXIMATELY 55% OF OUR SALES FOR THE YEAR ENDED OCTOBER 31, 2003 WERE GENERATED FROM THREE (3) CUSTOMERS AND, ACCORDINGLY, THE LOSS OF ANY ONE SUCH CUSTOMER COULD ADVERSELY AFFECT OUR SALES.

As of October 31, 2003, three customers, Toys "R" Us Inc., Best Buy Co., Inc. and Jack of All Games Inc., a subsidiary of Take-Two Interactive Software Inc., accounted for approximately 55% of our sales. While this percentage is due in part to a consolidation of the retail industry generally, and although we are seeking to broaden our customer base, no assurance can be made that our efforts will be successful or that these three customers will not continue to account for a large concentration of our sales. The loss of one or more of these three customers, or any other customer that accounts for a significant portion of our sales, could materially adversely affect our business, operating results, and financial condition.

OUR INTELLECTUAL PROPERTY IS VULNERABLE TO MISAPPROPRIATION AND THE EFFECTS OF COMPETITIVE, NON-INFRINGING TECHNOLOGY.

We own or have rights to use proprietary technology that we believe affords us a current competitive advantage. This technology is not, however, fully protected from infringement by competitors or from the introduction of non-infringing technologies. Our rights and the additional steps we have taken to protect our intellectual property may not be adequate to deter misappropriation, and our proprietary position remains subject to the risk that

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

our competitors or others will independently develop non-infringing technologies substantially equivalent or superior to our technologies.

INTELLECTUAL PROPERTY CLAIMS MAY INCREASE OUR PRODUCT COSTS OR REQUIRE US TO CEASE SELLING AFFECTED PRODUCTS WHICH COULD ADVERSELY AFFECT OUR EARNINGS AND SALES.

Development of original content sometimes results in claims of intellectual property infringement. Although we make reasonable efforts to ensure our products do not violate the intellectual property rights of others, it is possible that third parties still may allege such infringement. Such claims, or litigation resulting therefrom, could require us to stop selling the affected product(s), redesign such product(s) to avoid infringement and/or obtain a license for future sales of such product(s). Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and future business prospects.

WE ARE CONTROLLED BY A SMALL NUMBER OF STOCKHOLDERS, SOME OF WHOM ARE KEY MEMBERS OF OUR EXECUTIVE MANAGEMENT AND SUCH CONTROL COULD PREVENT THE TAKING OF CERTAIN ACTIONS THAT MAY BE BENEFICIAL TO OTHER STOCKHOLDERS.

A significant portion of our voting securities are owned or controlled by various members of the Sutton family. Although each member of the Sutton family may vote their respective shares independently, due to their substantial ownership of our voting securities, together they control the outcome of substantially all matters submitted to a vote of our stockholders, including but not limited to the selection of certain members to our Board of Directors and the adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination we may potentially be involved in. Additionally, Morris Sutton is the Chairman of our Board of Directors, Jesse Sutton, Morris' son, is our President and Chief Executive Officer and a member of our Board and Joseph Sutton, Morris' son, is our executive vice president of research and development and a member of our Board, thereby also giving them substantial control over matters considered by the officers and directors of the Company without approval of stockholders. Members of the Sutton family collectively hold 48.3% of our outstanding voting securities, all of which is subject to a lock-up agreement whereby these persons may not sell or otherwise dispose of their securities until one year following the effective date of this registration statement.

6

ANTI-TAKEOVER PROVISIONS IN OUR CERTIFICATE OF INCORPORATION AND DELAWARE LAW COULD PREVENT A POTENTIAL ACQUIRER FROM BUYING YOUR STOCK AT A PRICE YOU DEEM BENEFICIAL.

Anti-takeover provisions of Delaware law may make a change in control of our company more difficult, even if a change in control would be beneficial to our stockholders. These provisions may allow our board of directors to prevent or make changes in the management and control of our company. Without any further vote or action on the part of the stockholders, the board of directors will have the authority to determine the price, rights, preferences, privileges and restrictions of our preferred stock. This preferred stock may have preference over and impair the rights of the holders of our common stock. Although the ability to issue preferred stock may provide us with flexibility in connection with possible investment acquisitions and other corporate purposes,

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

this issuance may make it more difficult for a third party to acquire a majority of our outstanding voting stock. Similarly, our authorized but unissued common stock is available for future issuance without stockholder approval.

OUR COMMON STOCK IS SUBJECT TO PENNY STOCK REGULATION, WHICH MAY LIMIT THE LIQUIDITY OF OUR COMMON STOCK AND THE ABILITY OF OUR STOCKHOLDERS TO SELL SHARES.

Our common stock is subject to regulations of the SEC relating to the market for penny stocks. These regulations generally require that a disclosure schedule explaining the penny stock market and the risks associated with the penny stock market be delivered to purchasers of penny stocks and imposes various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. Moreover, broker-dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. Accordingly, there can be no assurance that an active trading market in our shares will be developed or sustained.

OUR COMMON STOCK IS THINLY TRADED, AND THE PUBLIC MARKET MAY PROVIDE LITTLE OR NO LIQUIDITY FOR HOLDERS OF OUR COMMON STOCK.

There is currently a limited volume of trading in our common stock. Consequently, holders of our common stock may find it difficult to find buyers for their shares at prices quoted in the market, or at all.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and elsewhere in this prospectus constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Those factors include, among other things, those listed under "Risk Factors" and elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of these statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

USE OF PROCEEDS

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

We will bear the expenses of the registration of the shares of common stock

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

offered herein and estimate that these expenses will be approximately \$300,000.

7

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Over-The-Counter Bulletin Board under the symbol "MJSH". The market for the common stock has often been sporadic, volatile and limited.

The following table shows the high and low sale prices for our common stock as reported by the National Association of Securities Dealers Over-The-Counter Bulletin Board during the past two fiscal years and current fiscal year and have been adjusted, as appropriate, for the 1:10 split on March 12, 2002. The prices reflect inter-dealer quotations, without retail markup, markdown or commissions and may not represent actual transactions.

NOVEMBER 1, 2001 TO OCTOBER 31, 2002	HIGH	LOW
	-----	-----
First Quarter	\$1.50	\$.30
Second Quarter	\$1.10	\$.26
Third Quarter	\$.45	\$.15
Fourth Quarter	\$.20	\$.12
NOVEMBER 1, 2002 TO OCTOBER 31, 2003		
First Quarter	\$.60	\$.15
Second Quarter	\$.40	\$.25
Third Quarter	\$.50	\$.25
Fourth Quarter	\$1.30	\$.30
NOVEMBER 1, 2003 TO JULY 28, 2004		
First Quarter	\$2.08	\$1.01
Second Quarter	\$4.48	\$1.39
Third Quarter (May 1 through July 28, 2004)	\$4.90	\$2.50

HOLDERS OF RECORD

On July 28, 2004, we had approximately 360 registered holders of record of our common stock.

DIVIDENDS

We have never paid dividends on our common stock. Each share of our 7% convertible preferred stock will be entitled to receive a 7% cumulative dividend payable solely in shares of our common stock, on an annual basis. In addition, the holders of the 7% convertible preferred stock shall be entitled to share in any dividends paid on our common stock on an "as converted" basis. We do not anticipate paying any dividends in the foreseeable future.

"PENNY STOCK" RULES

The bid price of our common stock has been below \$5.00 per share, and therefore, Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on NASD broker-dealers who make a market in a "penny stock." A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

8

SELECTED FINANCIAL DATA

The following table summarizes certain selected consolidated financial data, which should be read in conjunction with our consolidated financial statements and the notes thereto and with management's discussion and analysis of financial condition and results of operations included elsewhere in this prospectus. The selected consolidated financial data presented below as of and for each of the fiscal years in the five year period ended October 31, 2003 are derived from our audited consolidated financial statements. Our consolidated financial statements for each of the fiscal years in the three-year period ended October 31, 2003, and the auditors' report thereon, are included elsewhere in this prospectus. The consolidated financial information for the six months ended April 30, 2004 and 2003 is derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. On December 5, 2003, Majesco Holdings Inc. consummated a merger with MSI. As a result of the merger, MSI became a wholly-owned subsidiary and the sole operating business of the Company. All financial information presented reflects the results of MSI as if MSI had acquired Majesco Holdings Inc. on December 5, 2003.

(\$ in thousands)

9

STATEMENTS OF OPERATIONS DATA

	YEAR ENDED OCTOBER 31,				
	2003	2002	2001	2000	1999
Net revenues	\$ 46,608	\$ 49,688	\$ 60,566	\$ 46,034	\$ 50,000
Cost of sales	30,803	31,992	40,923	33,372	44,000
Operating expenses (1)	24,569	16,153	15,619	11,004	11,000
Interest and financing costs	2,077	2,093	2,702	1,483	1,483
Other (income) / expense (2)	--	201	1,215	(510)	(510)
Provision for income taxes	--	--	--	--	--
Net income / (loss)	\$ (10,841)	\$ (751)	\$ 107	\$ 685	\$ 685
Net income (loss) attributable to common stockholders per share:					
- Basic	\$ (0.71)	\$ (0.05)	\$ 0.01	\$ 0.04	\$ 0.04
- Diluted	\$ (0.71)	\$ (0.05)	\$ 0.01	\$ 0.04	\$ 0.04

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

Weighted average voting rights

outstanding:

- Basic	15,325,000	15,325,000	15,325,000	15,325,000	15,325,000
	-----	-----	-----	-----	-----
- Diluted	15,325,000	15,325,000	15,325,000	15,325,000	15,325,000
	-----	-----	-----	-----	-----

BALANCE SHEET DATA

	OCTOBER 31,			
	2003	2002	2001	2000
Working capital / (deficiency)	\$ (10,927)	\$ (2,717)	\$ 820	\$ 710
Total assets	17,611	14,216	13,825	15,290
Long-term debt	5,734	3,692	6,434	4,107
Warrant liability	--	--	--	--
Shareholders' equity / (deficiency)	(15,730)	(4,871)	(3,746)	(1,259)

- (1) Operating expenses includes provisions for loss on impairment of software development costs of \$3.7 million and litigation and settlement costs of \$4.9 million (2003) and a charge for bad debts of \$577,000 related to the Kay-Bee Toys bankruptcy (six months ended April 30, 2004).
- (2) Other (income) expense includes a loss on an abandoned equity offering of \$201,000 (2002), a provision for loss on an affiliate indebtedness of \$1.2 million (2001) and a gain on the disposal of property of \$510,000 (2000), and MSI expenses related to the Merger of \$342,000, an unrealized loss on foreign exchange of \$82,000 and \$49.2 million non-cash charge related to the change in fair value of warrants (six months ended April 30, 2004).

10

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

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Financial Data" and our financial statements and related notes appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

On December 5, 2003, the Company consummated a merger with Majesco Sales

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

Inc., or MSI, whereby CTTV Merger Corp., our wholly-owned subsidiary, merged with and into MSI. As a result of the Merger, MSI became the Company's wholly-owned subsidiary and sole operating business. On April 13, 2004, we changed our name from "ConnectivCorp" to "Majesco Holdings Inc." to better reflect our current operating business.

We are a developer, publisher and marketer of interactive entertainment software and related accessories.

Our video game software covers a wide variety of genres such as action/adventure, simulation, first person action and strategy. Our products are targeted to a wide demographic, from children to active teens and the older, mass-market consumer. We have released titles for all major videogame platforms and handhelds, including Sony's PlayStation and PlayStation(R) 2, Nintendo's N64, SNES, Game Boy(TM), Game Boy(TM) Color, Game Boy(TM) Advance and GameCube(TM), Microsoft's Xbox(TM), Sega's Dreamcast, Genesis and Game Gear, and the personal computer or PC. Additionally, we are a manufacturer of a number of accessories licensed by Nintendo.

One of our strengths is our distribution and sales channels. Our products are sold directly to major U.S. retail chains such as Wal-Mart, Target, Toys "R" Us, Best Buy, Electronics Boutique and Gamestop. We also have relationships with game rental outlets such as Blockbuster and Hollywood Video.

We maintain an international presence through our subsidiary in the UK. We believe that many of our competitors generate significant portions of their revenues from sales abroad and part of our growth strategy is to tap into the expanding international markets. Currently, however, our products sold abroad are done so through licensing arrangements with other publishers.

Our profitability is directly affected by the mix of revenues from our publishing and distribution operations. Profit margins are substantially higher from publishing but there is a higher degree of risk. Development/acquisition costs and marketing expenses are the primary cost drivers and directly impact the profitability of any given title. If the title is a highly successful "hit", once these costs are recouped, economies of scale occurs as the incremental sales produce greater profitability. Distribution is generally characterized as lower profit as a result of lower risk.

Consistent with our business strategy, we will continue to develop and bring to market proprietary, multi-platform videogames and related products, as well as exploit our franchise titles, an example of which is BloodRayne. Launched in October 2002, the title has generated major consumer interest worldwide. In addition, we have sold the movie rights associated with the BloodRayne title to Brightlight Pictures (Alone in the Dark, House of the Dead), entered into a strategy guide deal with Prima Publishing, and licensed a comic book series. We are also in discussions to develop an animated series featuring the BloodRayne character, as well as collectible action figures and character and logo-bearing merchandise based on the character. BloodRayne 2, a videogame sequel, is currently in development and expected to be released in October 2004. Another new proprietary videogame, scheduled for release in the first half of 2005, is Advent Rising, an epic science-fiction action game with dialogue written by Hugo and Nebula award winning novelist, Orson Scott Card. The title has already been selected as one of the Top Games of 2004 by Official Xbox(TM) Magazine and garnered over 30 pages of print editorial (exposing it to well over three million videogame enthusiasts) and numerous online plaudits.

Value priced products continue to remain a significant source of our revenue. Historically, products priced below the manufacturer's suggested retail price or MSRP of \$20 made up the "value market" and Majesco has been a leading publisher and distributor operating in this category. Targeted at the casual

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

gaming audience or impulse buyers, Majesco aims to acquire, license, or develop mass-appeal titles that will perform well at lower prices. We

11

believe that products with MSRP's of \$14.99 and even \$9.99 Game Boy Advance games will be attractive to customers. Furthermore, Majesco was the first publisher of \$9.99 MSRP PlayStation 2 titles, and has two new \$19.99 titles slated for Xbox in fall 2004.

Technological innovation, competition for retail shelf space and recruitment of creative talent are considerations in the way we run our business. To this end we have developed a proprietary compression technology that will enable gamers to view color video and stereo audio on a standard Nintendo Game Boy(TM) Advance System. Nintendo has granted the Company a license to use our technology for the Game Boy Advance in the North American and European markets, which have an installed base as of December 31, 2003 of 20 million and 10 million Game Boy Advance owners, respectively. The proprietary technology enables consumers to view up to 45 minutes of video on a Game Boy(TM) Advance using a standard Game Boy Advance cartridge. We expect to have the capability to release cartridges that can contain up to 90 minutes of video, including feature length content, by the middle of 2005. No other hardware peripheral will be required and all the user will need to do is insert a regular Game Boy Advance cartridge into the Game Boy(TM) Advance in order to turn it into a personal video player. Licensing agreements have been signed with Nickelodeon (SpongeBob SquarePants, Fairly OddParents, others), 4Kids Entertainment (Yu-Gi-Oh!, Sonic X, others), Cartoon Network (Code Name: Kids Next Door, PowerPuff Girls, others), DIC Entertainment (Strawberry Shortcake) and we are negotiating for other content. We have implemented a large-scale public relations effort that has resulted in positive editorial coverage in such mass-market publications as Newsweek, TV Guide and the NY Times. In addition, Nintendo has developed a large market campaign to support this new use for the Game Boy Advance that will include TV, print, online and in-store tactics. The product was launched at retail in May 2004. Additionally, we are the North American manufacturer and distributor of the officially licensed Game Boy Advance SP Neckband Style Headphones that was launched in conjunction with our line-up of Game Boy Advance Video products. From a strategic perspective, the launch of this new product line is anticipated to somewhat reduce the impact of the seasonality of our sales cycle, as the spring/summer months have traditionally been our slower months with respect to sales volume.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from these estimates under different assumptions or conditions.

We have identified the policies below as critical of our business operations and the understanding of our financial results. The impact and any

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies see Note 1 to consolidated financial statements included elsewhere in this prospectus.

RESERVES FOR PRICE PROTECTION AND OTHER ALLOWANCES. We principally derive revenue from sales of packaged interactive software games designed for play on videogame platforms (such as the PlayStation 2, Xbox and Nintendo GameCube) and hand-held game devices (principally Nintendo Game Boy Advance). We generally sell our products on a no-return basis, although in certain instances, we may provide price protection or other allowances on certain unsold products in accordance with industry practices. Price protection, when granted and applicable, allows customers a credit against amounts they owe to us with respect to merchandise unsold by them. Revenue is recognized net of estimates of these allowances. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular advertisement, are reflected as selling and marketing expenses. We estimate potential future product price protection and other discounts related to current period product revenue. We analyze historical experience, current sell through of retailer inventory of our products, current trends in the videogame market, the overall economy, changes in customer demand and acceptance of our products and other related factors when evaluating the adequacy of price protection and other allowances. However, actual allowances granted could materially exceed our estimates as unsold products in the distribution channels are exposed to rapid changes in consumer preferences, market

12

conditions or technological obsolescence due to new platforms, product updates or competing products. For example, the risk of requests for allowances may increase as the PlayStation 2, Xbox and Nintendo GameCube consoles pass the midpoint of their lifecycle and an increasing number of and aggregate amount of competitive products heighten pricing and competitive pressures. While management believes it can make reliable estimates regarding these matters, these estimates are inherently subjective. Accordingly, if our estimates changed, our reserves would change, which would impact the net revenues and/or selling expenses we report. For the years ended October 31, 2003, 2002, and 2001 and for the six month periods ended April 30, 2004 and 2003, we provided allowances for future price protection and other allowances of \$5.2 million, \$13.1 million, \$6.2 million, \$1.4 million, and \$3.0 million, respectively. The fluctuations in the provisions reflected our estimates of future price protection based on the factors discussed above. We do not have significant exposure to credit risk as the factor generally buys our receivables without recourse. However, during the six-month period ended April 30, 2004, we recognized bad debt expense of \$577,000 as a result of the Kay-Bee Toys' filing for bankruptcy protection in January 2004 because sales to this customer could not be factored.

SOFTWARE DEVELOPMENT COSTS AND INTELLECTUAL PROPERTY LICENSES. Software development costs include milestone payments made to independent software developers under development arrangements. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable against future revenues. For products where proven game engine technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

product-by-product basis. Amounts related to software development that are not capitalized are charged immediately to development costs. Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks or copyrights in the development of our products.

Commencing upon the related product's release, capitalized software development and property licenses costs are amortized to cost of sales based upon the higher of (i) the contractual rate based on actual net product sales or (ii) the ratio of current revenue to total projected revenue. The recoverability of capitalized software development costs and intellectual property licenses is evaluated based on the expected performance of the specific products for which the costs relate. The following criteria are used to evaluate expected product performance: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based. As of October 31, 2003, we charged operations \$3.2 million to write-off all capitalized costs related to the development of a videogame that we had determined would not be commercially viable and for which development was stopped. We also provided \$500,000 to recognize impairments in the carrying value originally capitalized in connection with recording the minimum guaranteed payments for two licensed videogames for which orders received were significantly below expectations.

RECENT ACCOUNTING PRONOUNCEMENTS. We do not believe that any recently issued, but not yet effective accounting standards will have a material effect on the our consolidated financial position, results of operations or cash flows.

RESULTS OF OPERATIONS

SIX MONTHS ENDED APRIL 30, 2004 VERSUS SIX MONTHS ENDED APRIL 30, 2003

Net revenues for the six months ended April 30, 2004 were \$41.7 million which represents an increase of 54% over net revenues of \$27.1 million in the same period in 2003. This increase is due to the higher unit volumes of Game Boy Advance handheld titles, which accounted for 83% of total units sold, compared to 44% in the six-month period in 2003. Also contributing to the increase in net revenues was the initial release of five Game Boy Advance Video titles, which utilizes our new proprietary compression technology and represented 5% of total units sold in the six-month period ended April 30, 2004. The remaining 12% of net revenues was generated by titles for the next generation console devices, primarily "Blow Out" for Microsoft's X-Box.

Gross profit increased to \$12.9 million in the six months ended April 30, 2004 from \$9.9 million in the comparable six-month 2003 period, an increase of 30%. Gross profit as a percentage of net revenues decreased to 31% in the six-month 2004 period from 37% in the comparable 2003 period. The shift in gross profit as a percentage of net revenues is largely due to the higher mix of "value priced" and "catalogue" Game Boy Advance handheld titles and lower profit margins relating to initial sales of Game Boy Advance Video titles. Manufacturing costs per

unit for handheld titles are generally higher than all other platforms. Although there can be no assurances, we expect that gross margins will increase in later quarters with the release of other Video titles having lower content acquisition costs and new frontline console games which are sold at considerably higher price points.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

Product research and development costs for the six-month period ended April 30, 2004 were \$1.3 million, an increase of 3% compared to \$1.2 million in the six-month period in 2003. The increase over the prior six-month period is due to higher employee costs related to quality assurance in association with the launch of Game Boy Advance Video.

Selling and marketing expenses consist mainly of fulfillment and shipping expenses, advertising and other promotional expenses and related employee costs. For the six-month period ended April 30, 2004, selling and marketing expenses decreased to \$5.0 million from \$5.9 million in the comparable 2003 period. The 16% decrease is due to approximately \$1.2 million in lower promotion expense (principally co-op advertising) related to frontline products, for which sales declined in the current period. The savings in promotion costs was partially offset by increased freight and fulfillment on the higher sales volumes related to the Game Boy Advance products. Freight and fulfillment expense for the six months ended April 30, 2004 was \$816,000 compared to \$487,000 for the comparable 2003 period. Selling and marketing expenses as a percentage of net revenues decreased to 12% in the six-month period ended April 30, 2004 compared to 22% in the same 2003 period.

General and administrative expenses primarily represent employee related costs, including corporate executive and support staff, general office expenses, professional fees and various other overhead charges. These expenses for the six-month period ended April 30, 2004 were \$2.9 million compared to \$1.9 million in the comparable 2003 period. The 56 % increase is due to a \$577,000 charge for bad debts as a result of the Kay-Bee Toys bankruptcy and the balance of the increase is attributable to additional employee related costs, professional fees, insurance and other costs incurred as a result of being a public company.

Depreciation expense for the six-month period ended April 30, 2004 increased to \$187,000 from \$178,000 in the same 2003 period due primarily to office equipment purchases.

Operating income of \$3.5 million for the six months ended April 30, 2004 improved \$2.8 million, or 430% from \$657,000 in the comparable six-month period in 2003. As a percentage of net revenues, operating income increased to 8.4% in the current year from 2.4% in the comparable period last year, offsetting the erosion at the gross profit level. The increase in operating income is due to favorable market acceptance to the Game Boy Advance products and the introduction of Game Boy Advance Video, incorporating our new proprietary compression technology. A shift in emphasis to drive the potential of this platform also resulted in a reduction in marketing expenditures, which are typically higher with console based platforms.

Interest expense and financing costs increased approximately 21% to \$1.3 million in the six-month period ended April 30, 2004 from \$1.1 million in the same 2003 period as a result of increased volumes subject to purchase order financing, offset by a reduction in financing rates.

An unrealized loss of approximately \$82,000 relating to a foreign exchange contract (see Note 6 to unaudited consolidated financial statements) was recorded in the six-month period ended April 30, 2004. There was no corresponding gain or loss in the same period last year.

Merger costs of approximately \$342,000 were incurred by Majesco in the first quarter of 2004 and consist primarily of professional fees and are non-recurring.

In accordance with EITF 00-19, we recorded a non-cash charge of approximately \$49.2 million related to the warrants issued in the private placement in the three-month period ended April 30, 2004. This non-cash charge

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

to earnings represents the difference in the fair value of the warrants at the time of issuance of the warrants and at April 30, 2004 and was calculated using the Black-Scholes option pricing model. At such time as the registration of the underlying common stock becomes effective, the fair value of the warrant liability will be reclassified to equity (see Note 7 to unaudited consolidated financial statements).

A provision for income taxes of \$489,000 was recorded in the six months ended April 30, 2004. There was no provision in the comparable 2003 period as we elected to be treated as an S Corporation under the Internal Revenue Code and as a result, income taxes were the responsibility of the individual shareholders. Effective November 1, 2003, we revoked our S-Corporation election.

14

For the six-month period ended April 30, 2004, we generated a net loss of \$47.9 million, principally as a result of the \$49.2 million charge related to the warrants in the private placement, as compared to a net loss of approximately \$420,000 in the prior year. Excluding the non-cash charge related to EITF 00-19 we would have reported net income for the period of \$1.3 million.

The net loss applicable to common stock for the six months ended April 30, 2004, of \$49.0 million includes the net loss after taxes of \$47.9 million and the \$759,000 non-cash charge related to a deemed dividend to the holders of the 7% convertible preferred stock and the \$339,000 preferred stock dividend payable in common stock. The deemed dividend represents the beneficial conversion feature of the 7% preferred stock, after taking into account the value of the warrants issued.

YEAR ENDED OCTOBER 31, 2003 VERSUS YEAR ENDED OCTOBER 31, 2002

Net revenues for the year ended October 31, 2003 decreased approximately \$3.1 million or 6.2% from \$49.7 million to \$46.6 million in the prior year. The overall decrease in net revenues in 2003 reflects the fewer number of new titles launched from 19 in the prior year, including our franchise title BloodRayne, to seven in 2003. Next generation video games (games for the Playstation2, X-Box, GameCube platforms) represented 33.2% of total units sold, down from 34.8% for the year ended October 31, 2002, while Game Boy Advance handheld titles increased to 64.2% of total unit sales, up considerably from 30.4% in the prior year. Older platform games continued to phase out representing only 2.6% of unit sales in the year ended October 31, 2003 compared to 34.8% in 2002. Allowances may be given to retailers in order to promote the sell through of frontline titles. These allowances are estimated and recorded as a reduction of net revenues at the time we record our sales. The lower mix of frontline titles in the current period versus last year resulted in lower provisions for sales allowances in this period. For the year ended October 31, 2003 these provisions amounted to \$5.2 million compared to \$13.1 million for the year ended October 31, 2002.

Gross profit decreased 10.6% to \$15.8 million for the year ended October 31, 2003 from \$17.7 million in the comparable 2002 period. The \$1.9 million decrease is due to the lower sales volume coupled with an increase in the percentage of sales related to value priced products to 90 % of total units in 2003 from 60% in 2002. Accordingly, gross profit as a percentage of net revenues decreased from 36% in the year ended October 31, 2002 to 34% in the comparable 2003 period.

Product research and development costs decreased approximately \$333,000, or 11.5%, to \$2.5 million from \$2.9 million in the comparable 2002 period. This

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

savings is the ongoing result of management's decision to become more cost effective by utilizing the services of external development houses and in certain instances product testing. By moving to this type of model, savings are attained by maintaining a smaller staff resulting in lower employee and employee related costs. Benefits of outsourcing the development of projects is that the concentration of risk is somewhat mitigated due to the fact that the developer must meet contractual milestones in order to receive fees. In this manner the feasibility of a project can be evaluated as it progresses and affords management the ability to act accordingly.

Selling and marketing expenses primarily include fulfillment and shipping expenses, advertising and other promotional expenses as well as related personnel costs. For the year ended October 31, 2003, selling and marketing expenses increased 25.5%, or approximately \$2.0, to \$10.2 million from \$8.2 million in the comparable 2002 period. Factors causing the increase in promotion expenses are related to \$1.4 million in media support we provided during the 2002 holiday season (first fiscal quarter 2003) for the retail release of BloodRayne, and, approximately \$500,000 of additional costs attributable to our London office, which was in operation for a full year in the 2003 period compared to a partial year in the 2002 period. Selling and marketing expenses increased as a percentage of net revenues to 21.9% for the year ended October 31, 2003 from 16.4% in the comparable 2002 period.

General and administrative expenses primarily represent personnel, including corporate executive and support staff, facilities and general office costs, professional fees and various other overhead charges. These expenses for the year ended October 31, 2003 decreased approximately \$1.9 million, or 39.7%, to \$2.8 million from \$4.7 million in the comparable 2002 period. The 2002 period included approximately \$1.3 million of professional fees including costs related to the litigation settled in 2003 and \$683,000 for salary and associated expenses including severance for a former executive officer. Total general and administrative expenses as a percentage of net revenues decreased to

15

6% for the year ended October 31, 2003 from 10% in the comparable 2002 period due to the decrease in expenses partially offset by the impact of lower sales generated in the current year.

Depreciation and amortization for the year ended October 31, 2003 and the year ended October 31, 2002 remained relatively constant at approximately \$360,000.

Litigation and settlement costs of \$4.9 million for the year ended October 31, 2003 relates to the Atari settlement (\$4.3 million) and other litigation. See Note 8 to the audited consolidated financial statements.

Loss on impairment of software development costs of \$3.7 million for the year ended October 31, 2003 represents amounts deemed unrecoverable from current or future sales.

Interest expense and financing costs remained relatively constant in both the years ended October 31, 2003 and October 31, 2002 at approximately \$2.1 million.

The net loss for the year ended October 31, 2003 increased by \$10.1 million to \$10.8 million as a result of the items discussed above.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

YEAR ENDED OCTOBER 31, 2002 VERSUS YEAR ENDED OCTOBER 31, 2001

Net revenues for the year ended October 31, 2002 decreased approximately \$10.9 million, or 18%, from \$60.6 million to \$49.7 million. Although we were able to release 19 new titles, including our franchise title BloodRayne in the 2002 period and an increase of six titles from the prior period, the total quantity shipped declined 9% to 3.1 million units from 3.4 million units in 2001 and the average selling price declined to \$18.88 from \$19.11 in the 2001 period. These shortfalls are due in part to the transition from older gaming platforms in 2001 to the next generation platforms in 2002. Increased unit sales of next generation titles (including Game Boy Advance) increased 16% to 2.1 million units in 2002 from 950,000 in 2001 were offset by a 56% decrease in unit sales of older platform titles to 1.1 million units in 2002 from 2.5 million units in 2001. Our entry into frontline product sales also required increased provisions for sales allowances to promote sell-through at the retail level, which is estimated and recorded as a reduction of net revenues at the time we record sales. These provisions amounted to \$13.1 million and \$6.2 million for the years ended October 31, 2002 and 2001, respectively.

Gross profit decreased 10.0% to \$17.7 million for the year ended October 31, 2002 from \$19.6 million in the comparable 2001 period due primarily to the aforementioned decrease in sales volume and the increase in the provision for sales allowances. Gross profit as a percentage of net revenues increased to 36% in the year ended October 31, 2002 from 32% in the comparable 2001 period as a result of higher margins related to frontline sales of our franchise title BloodRayne.

Product research and development costs decreased approximately \$397,000, or 12.0%, to \$2.9 million from \$3.3 million in the comparable 2001 period. This savings is the result of management's decision to become more cost effective by utilizing the services of external development houses. By moving to this type of model, savings are attained by maintaining a smaller infrastructure, resulting in lower employee and employee related costs. Beneficial to the outsourcing of project development is that the concentration of risk is somewhat mitigated due to the fact that the developer must meet contractual milestones in order to receive fees. In this manner the feasibility of a project can be evaluated as it progresses and affords management the ability to act accordingly.

Selling and marketing expenses primarily include fulfillment and shipping expenses, advertising and other promotional expenses as well as related personnel costs. For the year ended October 31, 2002, selling and marketing expenses increased 42.5%, or approximately \$2.5 million, to \$8.2 million from \$5.7 million in the comparable 2001 period. The unfavorable variance was principally due to the bolstering of our marketing efforts to support our new lines of proprietary and licensed games, including new hires and other promotional expenditures amounting to approximately \$3.4 million. Offsetting was a reduction in shipping and handling expenses of \$1.0 million in 2002 from 2001 as a result of the lower sales volume. Selling and marketing expenses increased as a percentage of net revenues to 16.4% for the year ended October 31, 2002 from 9.5% in the comparable 2001 period.

16

General and administrative expenses primarily represent personnel, including corporate executive and support staff, facilities and general office costs, professional fees and various other overhead charges. These expenses for the year ended October 31, 2002 decreased approximately \$100,000 or 2.5%, to \$4.7 million from \$4.9 million in the comparable 2001 period. The favorable

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

variance is the net effect of approximately \$700,000 in savings due to the closure of the California office offset by approximately \$325,000 in additional employee costs needed to build-up our infrastructure to enable us to transition into a frontline publisher and approximately \$450,000 in related professional fees. Total general and administrative expenses as a percentage of net revenues increased to 9.5% for the year ended October 31, 2002 from 8% in the comparable 2001 period due to the increase in expenses and the impact of lower sales in the current year.

Depreciation and amortization for the year ended October 31, 2002 and the year ended October 31, 2001 was \$368,000 and \$236,000, respectively, reflecting the increased investment in equipment to support both research and development and the administrative support staffs.

Other expenses in the 2002 period of \$201,000 related to an abandoned equity offering and for 2001 include \$1.5 million for severance to former key employees and the write-off of an uncollectible affiliate debt of \$1.2 million.

Interest expense and financing costs was \$2.1 million for the year ended October 31, 2002 and \$2.7 million for the year ended October 31, 2001. This decrease reflects a lower level of indebtedness in 2002.

The net loss of \$751,000 in the year ended October 31, 2002 versus income of \$107,000 for the prior year period is principally attributable to the lower net revenues and the build-up of the infrastructure necessary to transition to a frontline publisher.

LIQUIDITY AND CAPITAL RESOURCES

On February 26, 2004, we completed a private placement of units consisting of preferred stock and warrants in which we raised approximately \$25.8 million in gross proceeds from a group of institutional and accredited investors. The private placement resulted in net proceeds of approximately \$21.4 million after deducting the fees and other expenses related to the financing. In connection with the private placement, the holders of the Series A preferred stock surrendered an aggregate of 352,112 shares of their Series A preferred stock, which were convertible into approximately 25,000,000 shares of common stock. With respect to the warrants to purchase common stock issued in connection with the private placement as a result of (i) the closing price of our common stock being greater than \$2.50 per share and (ii) the average daily trading volume was greater than 75,000 shares for a 60 consecutive calendar day period which ended on May 31, 2004, the warrants are eligible to be called by us for redemption which redemption will not take effect until such time as a registration statement for resale of the shares of common stock underlying the warrants has been declared effective. If the warrants are called, and if they are exercised for cash, we would receive gross proceeds of approximately \$26.8 million. While we are considering calling the warrants, there can be no assurance that we will do so or that if we do call the warrants, that the warrant holders would exercise their right to purchase the common stock.

We used \$3.3 million of the net proceeds to pay certain creditors, including \$2.5 million for a previously negotiated settlement amount to Atari Interactive, Inc. and approximately \$2.5 million to repay portions of loans previously made to us by two of our executive officers. In order to satisfy the remaining balance of the loans previously provided by the two executive officers, we agreed to issue to them, in the aggregate, 100 units. We will use the remaining balance of the proceeds for working capital purposes.

In accordance with Emerging Issues Task Force Issue 00-19 ("EITF 00-19"), Accounting for Derivative Financial Instruments Indexed To, and Potentially

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

Settled in, a Company's Own Stock", we have initially accounted for the fair value of the warrants as a liability until the above mentioned registration statement is declared effective. As of the closing date of the private placement the fair value of the warrants was approximately \$21 million calculated utilizing the Black-Scholes option pricing model. In addition, changes in the market value of our common stock from the closing date through the effective date of the registration statement will result in non-cash charges or credits to operations to reflect the change in fair value of the warrants during this period. (We recorded a charge to

17

operations of \$49.2 million during the three months ended April 30, 2004 to reflect the change in market value of the warrants). At the effective date, the fair value of the warrants will be reclassified to equity and, accordingly, the net effect of the application of the EITF would not be expected to have a material impact on our financial position and our business.

In May 2004, we received a letter from a warrant holder making demand that we repurchase for \$1.75 million by June 21, 2004 warrants (issued by ConnectivCorp prior to the Merger) to purchase an aggregate of 147,182 shares at \$.10 per share. Management does not believe that this put is a valid obligation and intends to contest its validity. However, if this matter proceeds to litigation there is no assurance that we will prevail and the cost of such litigation could be significant.

In the opinion of management, upon the advice of counsel, we have made adequate provision for potential liability, if any, arising from litigation and other claims. However, the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in those matters, and developments or assertions by or against us relating to intellectual property rights and intellectual property licenses, could have a material adverse effect on the our business, financial condition and operating results.

Although there can be no assurance, management believes that there are sufficient capital resources from operations, including our factoring and purchase order financing arrangements, and as a result of the proceeds received in our private placement, to finance our operational requirements for the next twelve months, including the funding of development, production, marketing and the sale of new products, the purchases of equipment, and the acquisition of intellectual property rights for future products. Although there can be no assurances, we also may be able to obtain additional funds through the exercise of the warrants sold in the private placement as discussed above. If we incur operating losses, or if unforeseen events occur that would require additional funding, we may need to raise additional capital or incur debt to fund our operations. We would expect to seek such capital through sales of additional equity or debt securities and/or loans from banks, but there can be no assurance that such funds will be available to us on acceptable terms, if at all. Failure to obtain such financing or obtaining it on terms not favorable to us could have a material adverse effect on future operating prospects and continued growth.

CASH FLOWS

Cash was \$1.7 million at April 30, 2004 compared to \$744,000 at April 30, 2003. The proceeds from the private placement in February 2004 were principally

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

used to finance the conversion of the working capital deficiency of \$10.9 million at October 30, 2003 into positive working capital of \$8.3 million at April 30, 2004.

For the six months ended April 30, 2004 approximately \$16.1 million of cash was used by operations. The usage of cash was attributable to the increase in due from factor of \$8.4 million reflecting higher receivables from customers net of advances from the factor, decrease in advances from customers for prepayments of \$4.9 million due to fulfillment of related orders, increased development and software costs of \$5.3 million for games in progress as well as royalty advances to content providers for GBA Video, increased prepaid expenses of \$700,000 related to the Electronic Entertainment Expo ("E3") trade show held in May 2004, decrease in accounts payable and accrued expenses of \$800,000 and the \$4.0 million payment of the settlement obligation. These uses of cash were partially offset by a decrease in inventory of \$6.3 million resulting from deliveries for the 2003 holiday season.

During the year ended October 31, 2003, cash of \$2.8 million was used by operating activities to fund (i) the net loss of \$10.8 million incurred in the period, (ii) an increase in inventory of \$8.3 million consisting primarily of new titles to be launched in the first quarter of fiscal 2004, and (iii) an increase in capitalized software development costs of \$2.3 million related to first quarter 2004 releases as well as games already in development for future release. This usage of cash was partially offset by the decrease in advances from customers of \$7.5 million, as the result of the fulfillment of related orders, and other net changes in working capital.

During the year ended October 31, 2002, \$602,000 was provided by operating activities principally as result of the decrease in inventory (\$4.9 million) offset by the net loss of \$751,000 incurred in the period, the decrease in due from factor of \$1.7 million (reflecting higher advances received from the factor as than the prior year), and

18

increases in software development costs and prepaid license fees of \$2.9 million attributable to scheduled 2003 releases and an increase in prepaid expenses of \$1.0 million attributable to prepaid media time buys, etc. related to the BloodRayne release.

Cash used in investing activities during the six months ended April 30, 2004 and for the years ended October 31, 2003 and 2002 was related to purchases of computer equipment of \$95,000, \$152,000, and \$297,000, respectively.

Cash generated from financing activities for the six months ended April 30, 2004 was \$17.7 million, which included the aforementioned \$21.4 million in net proceeds from the private placement and a loan from a related party of \$1.0 million. The proceeds from the financings were used for working capital, the repayment of borrowings from the finance company (\$2.0 million) and \$2.8 million was used to repay loans from shareholders and an officer.

During the year ended October 31, 2003, \$2.7 million was provided by financing activities primarily as a result of loan proceeds from a finance company (related to financing of inventory) and from shareholders of \$2.6 million and \$2.3 million, respectively, partially offset by the repayment of a bank loan of \$2.3 million.

During the year ended October 31, 2002, \$284,000 was used for financing activities to pay capital lease payments of \$38,000 and a distribution to

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

stockholders of \$374,000 partially offset from loan proceeds from finance company of \$183,000 and a loan from stockholders of \$36,000.

We expect continued volatility in the use of cash due to the seasonality of the business, receivable payment cycles and quarterly working capital needs to finance our publishing business and growth objectives.

At April 30, 2004 we do not currently have any material commitments with respect to leases and capital expenditures.

At April 30, 2004 we are committed under agreements with certain developers for future milestone and license fee payments aggregating \$3.2 million and \$10.1 million, respectively, which are principally payable over the next two years.

At April 30, 2004 we had open letters of credit aggregating \$14.3 million under our purchase order assignment arrangement for inventory to be delivered during the subsequent quarter.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including the changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from changes in market rates and prices. Foreign exchange contracts used to hedge foreign currency exposure are subject to market risk. We do not enter into derivatives or other financial instruments for trading or speculative purposes. As of April 30, 2004, the Company has an outstanding foreign currency forward exchange contract to exchange 2.4 million euros into \$2.8 million which expires March 31, 2005 and, accordingly, recorded as a liability (in accounts payable and accrued expenses) the unrealized loss of \$.1 million.

DESCRIPTION OF BUSINESS

OUR HISTORY

The Company was originally organized in the State of Delaware on May 8, 1998 as SMD Group, Inc. In January 1999, the name was changed to CDBeat.com, Inc. As CDBeat.com, Inc., the Company's primary business was providing B2B online marketing services geared toward the entertainment industry. Following the Company's business combination with Cakewalk LLC, an independent record company, in November 1999, the name was again changed to Spinrocket.com, Inc. On September 11, 2000, we changed our name to ConnectivCorp, and prior to the merger with Majesco Sales Inc., had ceased active operations and were exploring various business opportunities. Effective upon the filing of an amendment to our certificate of incorporation, which occurred on April 13, 2004, we changed our name to "Majesco Holdings Inc." to better reflect our current operating business.

19

THE MERGER

On December 5, 2003, we consummated a merger with MSI, a New Jersey corporation, whereby CTTV Merger Corp., our wholly-owned subsidiary, merged with and into MSI and we exchanged 15,325,000 shares of common stock and 925,000 shares of Series A convertible preferred stock for all of the issued and

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

outstanding common stock of MSI. The 925,000 shares of Series A convertible preferred stock that were issued in the merger are convertible into 65,675,000 shares of common stock. As a result of the merger, MSI became our wholly-owned subsidiary and our sole operating business. Subsequently and in connection with the private placement, certain holders of the Series A convertible preferred stock surrendered for cancellation 352,112 shares of Series A convertible preferred stock that were convertible into approximately 25,000,000 million shares of common stock. On April 23, 2004, the holders of all of the outstanding Series A convertible preferred stock converted such shares into 40,675,048 shares of our common stock.

SUMMARY OF OUR CURRENT OPERATIONS

We are, by virtue of our wholly-owned subsidiary, MSI, a developer, publisher and marketer of interactive entertainment software. MSI has released titles for all major videogame platforms and handhelds, including Sony's PlayStation and PlayStation(R) 2, Nintendo's N64, SNES, Game Boy(TM), Game Boy(TM) Color, Game Boy(TM) Advance and GameCube(TM), Microsoft's Xbox(TM), Sega's Dreamcast, Genesis and Game Gear, and the personal computer. Additionally, MSI is a manufacturer of a number of accessories licensed by Nintendo.

One of MSI's strengths is its distribution and sales channels. With over 19 years in the interactive entertainment industry, MSI has long standing relationships with many U.S. retail chains including Wal-Mart, Target, Toys "R" Us, Electronics Boutique, Gamestop, Best Buy and other national and regional retailers. Additionally, Majesco has strong relationships with game rental outlets such as Blockbuster and Hollywood Video. MSI has developed a well-balanced portfolio of software ranging from its new line of Game Boy(TM) Advance Videos to high profile proprietary and licensed properties to value-priced games. This product strategy broadens our potential target demographic, allows us to profit from different sectors of the market and mitigates our overall risk.

MSI has developed a proprietary compression technology that will enable gamers to view color video and stereo audio on a standard Nintendo Game Boy(TM) Advance System. Nintendo has granted the Company a license to use our technology for the Game Boy Advance in the North American and European markets, which have an installed base of 20 million and 10 million Game Boy Advance owners respectively. The proprietary technology enables consumers to view up to 45 minutes of video on a Game Boy(TM) Advance using a standard GBA cartridge. We expect to have the capability to release cartridges that can contain up to 90 minutes of video, including feature length content by the middle of 2005. No other hardware peripheral will be required and all the user will need to do is insert a regular Game Boy(TM) Advance cartridge into the Game Boy(TM) Advance in order to turn it into a personal video player. Licensing agreements have been signed with Nickelodeon (SpongeBob, SquarePants, Fairly OddParents, others), 4Kids Entertainment (Yu-Gi-Oh!, Sonic X, others), Cartoon Network (Code Name: Kids Next Door, PowerPuff Girls, others), DIC Entertainment (Strawberry Shortcake) and we are negotiating for other content. We have implemented a large-scale public relations effort that has resulted in positive editorial coverage in such mass-market publications such as Newsweek, TV Guide and the NY Times. In addition, Nintendo has developed a large marketing campaign to support this new use for the Game Boy(TM) Advance that will include TV, print, online and in-store tactics. The product was launched at retail in May 2004. Additionally, MSI is the North American manufacturer and distributor of the officially licensed Game Boy Advance SP Neckband Style Headphones that was launched in conjunction with our line-up of Game Boy Advance Video products.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

An example of our proprietary videogames includes the BloodRayne title. Launched in October 2002, the title has generated major consumer interest and worldwide retail sales of more than 600,000 units. In addition, we have sold the movie rights associated with the BloodRayne title to Brightlight Pictures (Alone in the Dark, House of the Dead), entered into a strategy guide deal with Prima Publishing, and licensed a comic book series. In addition, a picture of BloodRayne, which is also the name of the main character featured in the game, recently graced the cover of Play magazine's special "Girls of Gaming" issue (November 2003). We are also in discussions to develop an animated series featuring the BloodRayne character, as well as collectible action figures, and logo-bearing merchandise based on the character. BloodRayne 2 is currently in development and expected to be released in October 2004.

20

A new proprietary videogame, also scheduled for release in the first half of 2005, is Advent Rising, an epic science-fiction action game with dialogue written by Hugo and Nebula award winning novelist, Orson Scott Card. The title has already been selected as one of the Top Games of 2004 by Official Xbox(TM) Magazine and garnered over 30 pages of print editorial (exposing it to well over three million videogame enthusiasts) and numerous online plaudits.

MSI is one of the leading publishers of software for the Nintendo Game Boy(TM) Advance and has established itself as one of the primary suppliers of value-priced Game Boy Advance software to mass-market retailers. Additionally, MSI was the first company to publish a Sony PlayStation 2 title at a \$9.99 price point.

Although MSI began its business primarily as a seller of overstock or republished "value" videogames, it has shifted its focus and product mix increasingly toward proprietary multi-platform video games and related products.

Another element in our growth strategy is to expand abroad. Our overseas sales accounted for approximately 7% of our revenues in fiscal 2003. We believe that many of our competitors generate significantly more of their revenues from sales abroad. In 2001, we established Majesco Europe Limited, a wholly owned subsidiary based in England, designed to help grow our overseas revenues.

BUSINESS EVOLUTION

Founded in 1986 as a specialty distributor, MSI initially focused on acquiring and placing videogame overstock on behalf of the major worldwide publishing companies. MSI was able to secure slow-moving or surplus inventory from publishers at highly competitive prices, then place the stock with major retailers at price points below normal retail prices.

During the early 1990s, MSI increasingly focused on republishing videogames that had ceased production. MSI was then able to contact the publishers and guarantee a minimum royalty to republish the game. Upon re-issuing a discontinued game title, MSI would reduce the game to a value price, often selling a game for as much as 50% below its original wholesale price. We believe MSI's strength in the value software sector was enhanced by the growing acceptance of entertainment software by the largest retailers in the U.S. as a mass consumer market opportunity. By 1993, MSI was supplying substantial unit volumes to such major retailers as Wal-Mart, K-Mart, Toys "R" Us and Target. In many instances, MSI acted as a consolidator for software companies that did not

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

have sufficient volume or title count to effectively distribute them.

In 1997, MSI became an authorized manufacturer, publisher and distributor of videogame hardware and software. Specifically, MSI acquired exclusive rights to republish software for the SNES, Sega Genesis and the PICO Video Game System. In addition, MSI acquired the exclusive rights from Sega to remanufacture the Genesis game system and the Game Gear handheld system.

As a result of and following these developments, MSI began to evolve into a fully integrated development, publishing and distribution business. Three primary factors drove this business evolution:

1. Becoming a frontline publisher offered an opportunity for rapid growth, increased profitability, brand recognition and the creation of value.
2. The changing format of storage medium from cartridge to CD for next generation videogames represented a significantly larger market as well as a decreased risk due to lower cost of goods and faster manufacturing capability.
3. The availability of overstocked goods principally fluctuates with the cyclical introductions of new hardware and software. By developing our frontline publishing capabilities, we believed we could take advantage of both sides of the business, thereby creating a more balanced product mix.

In 1998, MSI created an in-house development studio. As a first project, the studio focused on acquiring licenses of proven game titles from older console or PC formats and converting them onto a variety of game platforms (a process known as "porting"). MSI's first internally developed title, Tom Clancy's Rainbow Six for the Dreamcast system (originally a PC game), garnered widespread acclaim after its May 2000 launch and sold more than 200,000 copies in its first four months. Another internally developed title based on a PC game, Soldier of Fortune, has sold over 200,000 units.

21

As part of MSI's evolution from a specialty distributor to a publisher, MSI enhanced its internal capabilities and systems and diversified its business across several fronts:

- o Revenue Mix - In fiscal 2003, new releases and catalog accounted for 84% of net revenues versus 16% in 1999.
- o Product Mix - Since the beginning of our transition in 1999 through October 31, 2003, MSI has published 61 different SKU's ranging from multi-million dollar, multi-platform titles to licensed properties to value priced software.
- o Platforms - MSI produced games across five different platforms in 2003, up from three platforms in 1999. MSI is also planning to produce games for Nintendo's new DS system (DS) expected to be introduced in time for the 2004 holiday season and Sony's new handheld system (PSP) that is expected to be released in 2005.
- o Personnel - In connection with its growth, MSI has added approximately 16 managerial members, with extensive industry backgrounds, to its product development, marketing, sales and executive teams.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

- o Proprietary Intellectual Property (IP) - MSI has developed or acquired eight proprietary titles and has exclusive "right of first refusal" publishing rights to four other titles.
- o Customers - Over the last five years, MSI has diversified sales among its top retail accounts. MSI's top two customers comprised 78% of sales in 1999 whereas MSI's top six customers comprise that same percentage of sales in 2003.

INDUSTRY OPPORTUNITY

We believe the videogame industry is transitioning from a traditionally niche market into a more broad-based form of entertainment. It has been one of the few growing sub-sectors of the technology industry during the past three years. According to the NPD Group, the market for videogame hardware and software in the United States was over \$10 billion in 2003. Worldwide hardware and software sales are estimated by industry analysts to have surpassed \$25 billion in 2003.

We believe the rapid growth of the videogame industry is explained by the fact that gamers are older and have more disposable income. They have "grown up" with games and identify with and readily accept interactive entertainment and its ever-changing nature. According to the Entertainment Software Association ("ESA"), 54% of all American households have or plan to purchase one or more games in 2004 and approximately 92% of people who purchase videogames are 18 years or older with an average age of 29 for game players. The first generation of gamers that played as children are having children of their own and introducing gaming as a form of family recreation. We believe the potential audience for videogames has not reached the same state of maturity as other forms of entertainment and has more room for growth.

In 2003, according to ESA, U.S. computer and video game software sales grew 8 % to \$7 billion - a more than doubling of industry software sales since 1996. U.S. publishers typically sell games within the United States and Europe. Domestically, we believe the opportunity for existing companies is large. While the top five publishers, according to Arcadia Investment Corp., own 52% of the marketplace (on a revenue basis), the remaining publishers each own less than 6%. Only two companies have more than a 10% share of the market.

INDUSTRY OVERVIEW

The interactive entertainment industry is comprised of game hardware manufacturers and videogame software publishers. Videogame software is played on game hardware platforms, including home game consoles that connect to a television set, self-contained handheld platforms and personal computers.

HARDWARE

Historically, a new generation of more powerful game consoles is introduced to the market every four to five years. With each new generation of hardware, or cycle, the customer base for videogame software expands. This is because gaming enthusiasts mature and advances in videogame hardware and software technology engages new participants, generating greater numbers of console units purchased than the prior cycle. The beginning of each

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

cycle is largely dominated by console sales as consumers upgrade to the next-generation technology. As the cycle matures, consumers' focus shifts to software, resulting in a period of rapid growth for the videogame software industry. The end of each cycle sees the "older" hardware systems and respective software move to more value pricing levels.

The industry completed a transition from 32-bit and 64-bit home game consoles to the new, more powerful generation of game consoles, with the release of Sony's PlayStation(R) 2 in 2000 and the release of the Nintendo GameCube(TM) and Microsoft Xbox(TM) in 2001. Similarly, the 32-bit Game Boy(TM) Advance, introduced in 2001, has succeeded the 8-bit Game Boy(TM) Color handheld platform.

For consoles, PlayStation(R) 2's early introduction helped establish it as the leading hardware platform, with an installed base in North America of 22.3 million households in 2003, compared to 6.9 million and 7.8 million households for GameCube(TM) and Xbox(TM), respectively, according to International Data Group and the NPD Group. For handhelds, currently Nintendo is the major player with a worldwide installed base of 40.3 million Game Boy(TM) Advance units and is planning to launch a new handheld system, the DS, before the end of 2004. Sony, however, recently announced their handheld entry, the PSP, that is expected to launch in the first quarter of 2005.

SOFTWARE

Videogame software is created by the platform manufacturers (first parties) and by many independent publishers/developers (third parties). Platform manufacturers license publishers to publish games for their platforms and retain a significant degree of control over the content, quality and manufacturing of these games. They also receive a royalty for every piece of software manufactured for their console. The publishers/developers, subject to the approval of the platform manufacturers, determine the types of games they will create, and either create them in-house, with their own development teams, or outsource the development to an independent company.

Advances in microprocessors, graphics chips, hard-drive capacity, operating systems and memory capacity have greatly enhanced the ability of the PC to serve as a videogame platform. These technological advances have enabled developers to introduce videogames for PCs with enhanced game play technology and superior graphics. Although this market is not growing as quickly as the console and handheld markets, the fact that publishers are not required to pay hardware royalties and high manufacturing costs makes this an attractive market for videogame publishers.

Software for game platforms is sold generally by mass merchandise retailers such as Wal-Mart, Toys "R" Us, Best Buy and Target, or by regional retailers, discount store chains, video rental retailers, software specialty retailers and entertainment software distributors. Software publishers either distribute their products directly to these retailers and/or sell them through national distributors.

There are many participants in the videogame value chain - hardware manufacturers, licensed content providers, developers, publishers, distributors and retailers - each contributing to the creation and sale of a videogame. The amount of compensation each of these participants receives varies greatly from game to game in determining the cost of goods sold for these games. The gross margin earned on a particular game by a publisher is thus a direct function of which of these players are involved, their degree of involvement and the compensation they require. For instance, producing a blockbuster movie licensed

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

title for multiple platforms is a different business model than producing a value-priced Game Boy Advance title. Although many variables affect the outcome of the profitability of a game, we believe the most important are: (1) game platform, (2) content source, (3) level of marketing and (4) cost of development.

GROWTH STRATEGY

Management is focused upon building MSI's position as a leading interactive entertainment software publisher. To achieve this goal, we will seek to execute the following strategies:

- o INCREASE OUR COMMITMENT TO DEVELOPING AND MARKETING ORIGINAL, MULTI-PLATFORM GAME TITLES, BASED ON CONTROLLED OR OWNED INTELLECTUAL PROPERTY.

We will attempt to focus our game developing and publishing activities principally on products that are, or have the potential to become, franchise properties. These products can serve as the basis for sequels,

23

prequels and related new products in different mediums (such as television, movies, books and comic books and related themed merchandise such as toys, clothing and other items), which can be released over an extended period of time. MSI focuses its efforts and resources on creating its own brands (IP's) as well as actively pursuing properties to be licensed that have strong sales potential.

- o PURSUE TECHNOLOGY AND ACCESSORY OPPORTUNITIES WITH HIGH POTENTIAL RETURN.

We endeavor to leverage our experience in, and knowledge of, the console and handheld businesses, to create non-"game" products targeted to the existing installed base of videogame consumers. For example, as a result of our experience with developing products for the Game Boy(TM) Advance, we have developed a proprietary compression technology that enables gamers to view up to 90 minutes of color video and stereo audio on a standard Nintendo Game Boy(TM) Advance System, thereby giving it added functionality as a portable video player. Additionally, we intend to create a line of accessories for the Game Boy(TM) Advance including headphones, a wireless link and wireless instant messaging and non-traditional accessories that will give the unit functionality. We have filed patent applications with respect to aspects of the compression technology for the Game Boy(TM) Advance and plan to do so for other accessory devices.

- o FOCUS EFFORTS ON PUBLISHING A DIVERSIFIED MIX OF TITLES FOR THE MOST COMMERCIALY VIABLE GAME PLATFORMS, GENRES AND PRICE POINTS.

We intend to concentrate our efforts on publishing a diverse mix of product offerings because it broadens our demographic market appeal, allows us to profit from different sectors of the market and mitigates our overall risk. We plan to develop and publish products across the most popular genres of games and platforms and target audiences ranging from game enthusiasts to mass-market consumers and "value priced" buyers. Currently, we develop,

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

publish and distribute products for Sony's PlayStation(R) 2, Microsoft's Xbox(TM), and Nintendo's GameCube(TM) console systems and Nintendo's Game Boy(TM) Advance hand held device and PCs. We strive to offer our products on multiple platforms in order to leverage our costs of development, increasing potential unit sales and profitability. We take a number of factors into consideration when determining the appropriate platform, genre and price of our products including platform user demographics, the potential growth of the installed base of each platform, consumer trends and the competitive landscape at the time of a product's release.

- o SEEK OPPORTUNITIES TO SUPPORT, WHEN PROFITABLE, MATURE GAMING PLATFORMS, OVERSTOCK AND REPUBLISHED PRODUCTS AT A VALUE PRICE POINT.

We will continue to actively pursue opportunities to acquire or create products that appeal to the value segment of the market, an area of past success for us. We are one of the leading providers of \$14.99 Game Boy Advance software and we believe we are well known in the industry for providing large quantities of overstock at appealing prices. To this end, we frequently have discussions with other leading third party publishers regarding republishing and overstock opportunities as we seek to add to our value priced title selections.

- o EXPAND INTERNATIONAL PRESENCE BY MOVING TO A DIRECT PUBLISHING MODEL IN EUROPE AND DEVELOPING LICENSING/DISTRIBUTION AGREEMENTS IN OTHER TERRITORIES.

International markets represent a significant growth opportunity for us. Currently, our products are published in Europe through licensing arrangements with established European publishers. We intend eventually to become a leading interactive software publisher in Europe in order to achieve greater profitability, gain full brand exposure to consumers and more control of the marketing process. To that end, we have established Majesco Europe Limited, a wholly owned subsidiary based in England.

- o GROW THROUGH STRATEGIC ACQUISITIONS AND RELATIONSHIPS.

We believe acquisitions of companies with strong development talent, proprietary technologies or compelling intellectual properties will be a critical component in achieving the necessary scale and resources to be a leader in the industry. We intend to leverage strategic acquisitions and relationships to augment our internal development capacity and technical expertise, as well as to enhance our library of intellectual

24

properties, brands and titles. We are also actively pursuing long-term strategic relationships with entertainment companies to secure license agreements and/or co-publishing opportunities.

PRODUCT DEVELOPMENT

VIDEOGAME DEVELOPMENT

We develop videogames for console and handheld gaming platforms and PCs. We seek to develop videogames that are enjoyable, captivating and encourage repeated play. We take a cautious, but opportunistic "quality vs. quantity" approach to building our product line and seek to publish games for genres, price points and hardware platforms that have strong sales potential and nominal risk.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

Before publishing a game, the title must pass through our "green light" process, which consists of extensive market research, studio due diligence and a thorough profit and loss analysis. As a final requirement before being accepted for publication, the title must be approved by the "green light" committee (comprised of members from our executive, product development, sales and marketing teams). Once a title is accepted, it is evaluated at regular milestones to make sure it is progressing on time, according to specifications and on budget. All members of the "green light" committee continue to be involved throughout the development process.

Independent third party developers create the majority of our next generation and original titles. However, we usually have broad rights to commercially exploit these products. We select third parties to develop videogames based on their capabilities, suitability, availability and cost. Contracts with developers are structured to give them incentives to provide timely and satisfactory performance of the development by associating payments with performance of substantive development milestones, and by providing for the payment of royalties to them based on sales of the product developed, only after we recoup the prepaid amounts.

We are currently working with some of the industry's leading developers, including Terminal Reality, Inc., HudsonSoft Co., Epic Games Inc. and GlyphX Games LLC. We are often sought out as a publishing partner and are presented with a number of projects and opportunities.

We are generally obligated to submit games to the platform manufacturers (first parties) for approval prior to publishing a game for their platforms. Additionally, prior to release, each product undergoes careful quality assurance testing, which involves technical review of each component of the final product and testing on the applicable platforms. We believe we have developed excellent relationships with the platform manufacturers.

We endeavor to comply with the rules established by a domestic ratings board voluntarily established by the videogame industry and some foreign countries' ratings boards, and we label our products with these ratings. We believe that ratings labels as to the violence contained in videogames will not have an adverse effect upon us as long as ratings are consistently applied throughout the industry.

In 1998, MSI founded an in-house development studio. As a first project, the studio focused on acquiring licenses of proven game titles from older console or PC formats and then converting them onto a variety of game platforms. MSI's first internally developed title, Tom Clancy's Rainbow Six for the Dreamcast system (originally a PC game), garnered widespread acclaim after its May 2000 launch and sold more than 200,000 copies in its first four months at retail. MSI is now capable of internally developing titles for the consoles/handheld platforms and the PC thanks to this and other experiences.

MSI's familiarity and working knowledge of the process and tools involved in game development have allowed it to accurately evaluate the work of its external game developers and provide assistance to such external developers in order to solve issues or expedite their development schedule.

GAME BOY ADVANCE VIDEO

MSI is one of the leading publishers of software for the Nintendo Game Boy(TM) Advance. As a result of MSI's experience with developing games for this platform, MSI has developed a proprietary compression technology that will

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

enable gamers to view color video and stereo audio on a standard Nintendo Game Boy(TM) Advance System. Nintendo has officially licensed this technology for the North American and European markets, which have an installed base of 20 million and 10 million Game Boy Advance owners respectively. The proprietary technology enables consumers to view up to 45 minutes of video on a Game Boy(TM) Advance using a standard GBA cartridge.

25

We expect to have the capability to release cartridges that can contain up to 90 minutes of video, including feature length content, by the middle of 2005. No other hardware peripheral will be required and all the user will need to do is insert a regular GBA cartridge into the Game Boy(TM) Advance in order to turn it into a personal video player. Licensing agreements have been signed with both Nickelodeon (SpongeBob SquarePants, Fairly OddParents, others) and 4Kids Entertainment (Yu-Gi-Oh!, Sonic X, others) and we are negotiating for other content.

GAME BOY ADVANCE ACCESSORIES

We also have launched two successful accessory products for the Nintendo Game Boy(TM) Advance, "Light Boy" and "Arm Light", which have been licensed by Nintendo, and will seek to continue making inroads in this category in the future. For example, we have received approval from Nintendo to create licensed headphones for the GBA SP and expect to ship them in conjunction with the launch of our Game Boy Advance Video line of products. Additionally, we intend to create a line of accessories for the Game Boy(TM) Advance, a wireless link and wireless instant messaging as well as other accessories that are expected to give Game Boy(TM) Advance non-traditional capabilities.

INTELLECTUAL PROPERTY

PLATFORM LICENSES

The major platform manufacturers require that publishers obtain a license from them to publish games for play on their platforms. The Company currently has non-exclusive licenses from Nintendo (GBA, GBC and GameCube(TM)), Sony (PlayStation(R) and PlayStation(R) 2), Microsoft (Xbox(TM)) and Nokia (N-Gage(TM)). Each platform manufacturer requires that the software and a prototype of each title, together with all related artwork and documentation, be submitted for its pre-publication approval. This approval is generally discretionary.

INTELLECTUAL PROPERTY LICENSES

While we develop original titles, the majority of our games are licensed from third party developers or based on trademarks and other rights and properties owned by third parties. Typically, we are obligated to make minimum guaranteed royalty payments over the term of these licenses and advance payment against these guarantees. License agreements generally extend for a term of two to three years and are terminable under a variety of events. Some licenses are limited to specific territories or platforms.

We have secured the rights to exploit many major intellectual properties and proven game franchises from leading publishers and licensors. Our titles have included such recognizable names as Cartoon Network, Star Trek Voyager, Tom Clancy's Rainbow Six, Pitfall, Monopoly, Frogger, Castlevania, Pac-Man, Q-Bert, Disney's Hercules, Battlebots, King of the Cage and Tonka. Our management

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

believes it has strong relationships with major licensors including Disney, Paramount, Time Warner, DC Comics, MTV and others.

ORIGINAL TITLES AND PROPRIETARY INTELLECTUAL PROPERTIES (IPS)

We own the intellectual property rights to Advent Rising, an epic science-fiction action game with dialogue written by Hugo and Nebula award winning novelist, Orson Scott Card, scheduled for release in 2005. The title has been selected as one of the Top Games of 2004 by Official Xbox(TM) Magazine and garnered over 30 pages of print editorial (exposing it to well over 3 million videogame enthusiasts) and numerous online plaudits. Advent Rising also has been placed on Microsoft's "watch list" of highly anticipated new releases.

Launched in October 2002, BloodRayne has generated major consumer interest and worldwide retail sell-in of more than 600,000 units. As a testament to the popularity of the franchise, we have sold the movie rights associated with the BloodRayne title to Brightlight Pictures (Alone in the Dark, House of the Dead), entered into a strategy guide deal with Prima Publishing, and licensed custom controller rights. In addition, a picture of BloodRayne, which is also the name of the main character featured in the game, recently graced the cover of Play magazine's special "Girls of Gaming" issue (November 2003). We are also in negotiations to develop BloodRayne into an animated series, collectible action figures, novels, comic books and jewelry. BloodRayne 2 is currently in development and expected to be released in October 2004.

26

Additional original titles Majesco owns intellectual property rights to are BlowOut, Iridion, Boy and his Blob, Fortress and Picasso.

We have filed patent applications with respect to aspects of the compression technology for the Game Boy(TM) Advance. There is no assurance that such applications will be approved or, if approved, provide significant protection.

MANUFACTURING

We prepare a set of master disks, documentation and packaging materials for our products for each respective hardware platform on which the product will be released. Disk duplication, packaging, printing, manufacturing, warehousing, assembly and shipping are performed by third parties in order to maintain protection over their hardware technologies, Sony and Nintendo generally specify or control the manufacturing and assembly of finished products. We deliver the master materials to the licensor or its approved replicator, which then manufactures finished goods and delivers them to us for distribution under our label. At the time our product unit orders are filled by the manufacturer, we become responsible for the costs of manufacturing, including their applicable per unit royalty on such units, even if the units do not ultimately sell.

Initial orders generally require seven to 40 days to manufacture depending on the platform. Reorders of disc-based products generally require only seven to 14 days for manufacturing, while reorders of cartridge-based products require approximately 30 to 40 days to manufacture. Shipping of orders requires an additional three to ten days, depending on the mode of transport and location of the manufacturer. Only the Nintendo Game Boy(TM) Advance uses cartridges, while the next generation home consoles are all disc-based.

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

We participate in the electronic data interchange (EDI) program maintained by most of our large customers. We generally fill re-orders from inventory within two days. As a result, our videogames traditionally have no backlog of orders.

To date, we have not experienced any material difficulties or delays in the manufacture and assembly of our products or material returns due to product defects.

DOMESTIC SALES AND DISTRIBUTION

WE BELIEVE WE HAVE EFFECTIVE DISTRIBUTION CHANNELS. WE DISTRIBUTE OUR PRODUCTS DOMESTICALLY THROUGH BOTH DIRECT AND INDIRECT CHANNELS.

- o Direct - We believe our sales team has strong relationships with major retailers and communicates with them frequently. The sales team is led by Morris Sutton, our Chairman and the founder of Majesco, who manages our sales representatives and personally handles a number of key accounts.
- o Indirect - We currently utilize seven sales representative organizations located throughout the United States. The firms we use were chosen based on their performance and retailer relationships. On average, two sales representatives per organization are assigned to our account. It is customary for the sales representatives and distributors of our games who are assigned specific customers to also distribute games produced by other manufacturers. Distribution channels are dominated by a select group of companies, and a publisher's access to retail shelf space is a significant competitive factor.

OUR PRINCIPAL CUSTOMERS ARE:

- o National and regional retailers
- o Video rental retailers
- o Entertainment software distributors and re-sellers

We believe we have enjoyed close relationships with key executives and buyers of a number of retailers including Wal-Mart, Target, Toys "R" Us, Best Buy, Electronics Boutique and Game Stop. Over the last five years, MSI has diversified sales among our top retail accounts. MSI's

27

top two customers comprised 78% of sales in 1999 whereas MSI's top six customers comprised the same percentage of sales in 2003.

MARKETING

Marketing programs principally support our premium priced publishing efforts. Our marketing objectives are to create strong brands and franchise properties, support sell-in to retail and drive sell-through to consumers. As each of our games has different features, benefits and target markets, we develop marketing programs for each title on an individual basis. The amount of support a title receives is directly related to its perceived "hit," or sales, potential. While all titles will be supported in some way, those with the most potential will have long lead (12 months or longer), multi-faceted, tactical marketing programs designed to generate enthusiasm and support long before being

Edgar Filing: MAJESCO HOLDINGS INC - Form S-1/A

shipped to retail.

Specific consumer marketing strategies we may employ include TV, radio and/or print advertising, web site, online marketing, demo distribution, promotions (and cross-promotions with third parties) and point-of-purchase advertising. Additionally, central to a marketing campaign are customized public relations programs designed to create awareness with all relevant audiences, including core gamers and