

MAJESCO ENTERTAINMENT CO

Form DEF 14A

March 02, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule § 240.14a-12

MAJESCO ENTERTAINMENT COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

 5. Total fee paid:
 - o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 1. Amount Previously Paid:

 2. Form, Schedule or Registration Statement No.:

 3. Filing Party:

 4. Date Filed:
-

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February 27, 2009

Dear Stockholder,

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Majesco Entertainment Company to be held at 9:30 a.m. (local time) on April 21, 2009, at Majesco's offices, located at 160 Raritan Center Parkway, Suite 1, Edison, New Jersey 08837.

The principal business of the meeting will be (i) to elect two Class I members to the Board of Directors, (ii) to approve a proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan to increase the aggregate number of shares available for issuance under this plan, (iii) to ratify the appointment of McGladrey & Pullen, LLP as our independent public accountants for the fiscal year ending October 31, 2009, and (iv) to transact such other business as may be properly brought before the Annual Meeting and any adjournments thereof.

We hope you will be able to attend the Annual Meeting. Whether you plan to attend the Annual Meeting or not, it is important that your shares are represented. Therefore, when you have finished reading the proxy statement, you are urged to complete, sign, date and return the enclosed proxy card promptly in accordance with the instructions set forth on the card. This will ensure your proper representation at the Annual Meeting, whether or not you can attend.

Sincerely,

/s/ Jesse Sutton
Jesse Sutton
Chief Executive Officer

**YOUR VOTE IS IMPORTANT.
PLEASE RETURN YOUR PROXY PROMPTLY.**

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MAJESCO ENTERTAINMENT COMPANY
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held Tuesday, April 21, 2009

To the Stockholders of Majesco Entertainment Company:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Majesco Entertainment Company, a Delaware corporation, will be held at 9:30 a.m. (local time) on April 21, 2009, at Majesco's offices, located at 160 Raritan Center Parkway, Suite 1, Edison, New Jersey 08837, for the purpose of considering and taking action on the following proposals:

1. To elect two Class I members to the Board of Directors.
2. To approve a proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan to increase the number of shares available for issuance thereunder in the amount of 3,000,000 shares.
3. To ratify the appointment of McGladrey & Pullen, LLP as our independent public accountants for the fiscal year ending October 31, 2009.
4. To transact such other business as may be properly brought before the Annual Meeting and any adjournments thereof.

The foregoing business items are more fully described in the following pages, which are made part of this Notice.

WHO MAY VOTE:

You may vote if you were the record owner of Majesco stock at the close of business on February 24, 2009. The Board of Directors has fixed the close of business on February 24, 2009 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof. A list of stockholders of record will be available at the meeting and, during the 10 days prior to the meeting, at the office of the Secretary at the above address.

All stockholders are cordially invited to attend the Annual Meeting. Whether you plan to attend the Annual Meeting or not, you are requested to complete, sign, date and return the enclosed proxy card as soon as possible in accordance with the instructions on the proxy card. A pre-addressed, postage prepaid return envelope is enclosed for your convenience.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Adam Sultan
Adam Sultan
Secretary

February 27, 2009

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MAJESCO ENTERTAINMENT COMPANY

160 Raritan Center Parkway, Suite 1
Edison, New Jersey 08837
(732) 225-8910

PROXY STATEMENT

**FOR MAJESCO ENTERTAINMENT COMPANY
2009 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 21, 2009**

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Why Did You Send Me This Proxy Statement?

We sent you this proxy statement in connection with the solicitation by the Board of Directors of Majesco Entertainment Company, a Delaware corporation, of proxies, in the accompanying form, to be used at the Annual Meeting of Stockholders to be held at 9:30 a.m. (local time) on April 21, 2009, at Majesco's offices, located at 160 Raritan Center Parkway, Suite 1, Edison, New Jersey 08837, and any adjournments thereof. This proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on April 21, 2009: The proxy statement and annual report to security holders are available at www.amstock.com/proxyservices/viewmaterials.asp.

This proxy statement, the accompanying proxy and, though not part of this proxy statement, our 2008 Annual Report, which includes our financial statements for the fiscal year ended October 31, 2008, are being mailed on or about February 27, 2009 to all stockholders entitled to notice of and to vote at the meeting. You can also find a copy of our 2008 Annual Report on Form 10-K on the Internet through the SEC's electronic data system called EDGAR at www.sec.gov or through the Investor Relations section of our website at www.majescoentertainment.com.

Who Can Vote?

Only stockholders who owned Majesco common stock at the close of business on February 24, 2009, are entitled to vote at the Annual Meeting. On that record date, there were 30,289,593 shares of Majesco common stock outstanding and entitled to vote. Majesco common stock is our only class of voting stock.

You do not need to attend the meeting to vote your shares. Shares represented by valid proxies, received in time for the meeting and not revoked prior to the meeting, will be voted at the meeting. A stockholder may revoke a proxy before the proxy is voted by delivering to our Secretary a signed statement of revocation or a duly executed proxy card bearing a later date. Any stockholder who has executed a proxy card but attends the meeting in person may revoke the proxy and vote at the meeting.

How Many Votes Do I Have?

Each share of Majesco common stock that you own entitles you to one vote.

How Do I Vote?

Whether you plan to attend the Annual Meeting or not, we urge you to vote by proxy. Voting by proxy will not affect your right to attend the Annual Meeting. If your shares are registered directly in

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your name through our stock transfer agent, American Stock Transfer & Trust Company, or you have stock certificates, you may vote:

By mail. Complete and mail the enclosed proxy card in the enclosed postage prepaid envelope. Your proxy will be voted in accordance with your instructions. If you sign the proxy card but do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.

In person at the meeting. If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in street name (held in the name of a bank, broker or other nominee), you must provide the bank, broker or other nominee with instructions on how to vote your shares and can do so as follows:

By Internet or by telephone. Follow the instructions you receive from your broker to vote by Internet or telephone.

By mail. You will receive instructions from your broker or other nominee explaining how to vote your shares.

In person at the meeting. Contact the broker or other nominee who holds your shares to obtain a broker's proxy card and bring it with you to the meeting. You will not be able to attend the Annual Meeting unless you have a proxy card from your broker.

How Does The Board Of Directors Recommend That I Vote On The Proposals?

The Board of Directors recommends that you vote as follows:

FOR the election of our Board of Directors nominees for Class I directors set forth on the proxy card included in this proxy statement;

FOR the proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan to increase the number of shares available for issuance thereunder in the amount of 3,000,000 shares; and

FOR ratification of the selection of McGladrey & Pullen, LLP as our independent auditors for our fiscal year ending October 31, 2009.

If any other matter is presented, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters that needed to be acted on at the Annual Meeting, other than those discussed in this proxy statement.

May I Revoke My Proxy?

If you give us your proxy, you may revoke it at any time before the Annual Meeting. You may revoke your proxy in any one of the following ways:

signing a new proxy card and submitting it as instructed above;

if your shares are held in street name, re-voting by Internet or by telephone as instructed above only your latest Internet or telephone vote will be counted;

notifying Majesco's Secretary in writing before the Annual Meeting that you have revoked your proxy; or

attending the Annual Meeting in person and voting in person. Attending the Annual Meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it.

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What If I Receive More Than One Proxy Card?

You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under **How Do I Vote?** on the proxy card for each account to ensure that all of your shares are voted.

Will My Shares Be Voted If I Do Not Return My Proxy Card?

If your shares are registered in your name or if you have stock certificates, they will not be voted if you do not return your proxy card by mail or vote at the Annual Meeting as described above under **How Do I Vote?** If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above under **How Do I Vote?**, the bank, broker or other nominee has the authority, even if it does not receive instructions from you, to vote your unvoted shares for Proposal 1, the election of the nominees to the Board of Directors, unless a contest for election of nominees to the Board of Directors has been commenced by the filing of a preliminary or definitive proxy statement by a party other than the Company prior to the date the broker proposes to vote your unvoted shares, and for Proposal 3, the ratification of the independent auditors but does not have authority to vote for Proposal 2, the proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan. We encourage you to provide voting instructions. This ensures your shares will be voted at the Annual Meeting in the manner you desire. If your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority, this is referred to as a broker non-vote.

What Vote is Required to Approve Each Proposal and How are Votes Counted?

Proposal 1: Elect Class I Directors

The nominees for director who receive the most votes (also known as a plurality) will be elected. Abstentions are not counted for purposes of electing directors. You may vote either FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name for the election of directors. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote.

Proposal 2: Approve a proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan to increase the number of shares available for issuance thereunder in the amount of 3,000,000 shares

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to approve the proposed amendment to our Amended and Restated 2004 Employee, Director and Consultant Incentive Plan. Abstentions will have no effect on the results of this vote. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal, therefore, any shares not voted by a customer will be treated as a broker non-vote, and such broker non-votes will have no effect on the results of this vote.

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Proposal 3: Ratify Our Selection of McGladrey & Pullen, LLP as our Independent Auditors for 2009

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to ratify the selection of independent auditors. Abstentions will have no effect on the results of this vote. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent accountants. However, if our stockholders do not ratify the selection of McGladrey & Pullen, LLP as our independent public accountants for the fiscal year ending October 31, 2009, our Audit Committee of our Board of Directors will reconsider its selection.

What Constitutes a Quorum for the Annual Meeting?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the meeting is necessary to constitute a quorum at the Annual Meeting. Votes of stockholders of record who are present at the Annual Meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

Householding of Annual Disclosure Documents

In December 2000, the Securities and Exchange Commission adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or brokers holding our shares on your behalf to send a single set of our annual report and proxy statement to any household at which two or more of our stockholders reside, if either we or the brokers believe that the stockholders are members of the same family. This practice, referred to as "householding," benefits both stockholders and us. It reduces the volume of duplicate information received by you and helps to reduce our expenses. The rule applies to our annual reports, proxy statements and information statements. Once stockholders receive notice from their brokers or from us that communications to their addresses will be "household," the practice will continue until stockholders are otherwise notified or until they revoke their consent to the practice. Each stockholder will continue to receive a separate proxy card or voting instruction card.

Those stockholders who either (i) do not wish to participate in "householding" and would like to receive their own sets of our annual disclosure documents in future years, or (ii) who share an address with another one of our stockholders and who would like to receive only a single set of our annual disclosure documents should follow the instructions described below:

Stockholders whose shares are registered in their own name should contact our transfer agent, American Stock Transfer & Trust Company, and inform them of their request by calling them at 1-800-937-5449 or writing them at 59 Maiden Lane, Plaza Level, New York, New York 10038.

Stockholders whose shares are held by a broker or other nominee should contact such broker or other nominee directly and inform them of their request. Stockholders should be sure to include their name, the name of their brokerage firm and their account number.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table is based upon 30,289,593 shares of common stock outstanding as of February 24, 2009, and sets forth, based on the public filings of such individuals and entities and our knowledge of securities issued by us to them, certain information concerning the ownership of voting securities of: (i) each current member of the Board of Directors, (ii) our Chief Executive Officer and other executive officers named in the Summary Compensation Table on page 11 of this proxy statement, (iii) all of our current directors and executive officers as a group, and (iv) each beneficial owner of more than 5% of the outstanding shares of any class of our voting securities. Except as otherwise indicated, addresses are c/o Majesco Entertainment Company, 160 Raritan Center Parkway, Suite 1, Edison, NJ 08837.

Common Stock	Number of Shares Beneficially Owned	Voting Power
Robert S. Ellin	5,285,194 ⁽¹⁾	17.45%
Joseph Sutton	2,402,758 ⁽²⁾	7.89%
S.A.C. Capital Advisors, LLC	2,090,000 ⁽³⁾	6.90%
Adam Sutton	1,960,771 ⁽⁴⁾	6.47%
Jesse Sutton	1,896,282 ⁽⁵⁾	6.13%
Jon D. Gruber	1,708,450 ⁽⁶⁾	5.64%
John Gross	559,957 ⁽⁷⁾	1.82%
Gui Karyo	466,997	1.52%
Laurence Aronson	153,981 ⁽⁸⁾	*
Allan Grafman	160,553 ⁽⁹⁾	*
Louis Lipschitz	177,444 ⁽¹⁰⁾	*
Mark Stewart	57,970 ⁽¹¹⁾	*
Stephen Wilson	109,116 ⁽¹²⁾	*
<i>Current Executive Officers and Directors as a Group</i>	5,985,058⁽¹³⁾	18.30%

* Represents beneficial ownership of less than 1% of the shares of common stock.

- (1) Based on a Schedule 13D Filed with the SEC on July 29, 2008 and a Form 4 filed with the SEC on February 9, 2009. Includes: (a) 225,456 shares of common stock owned by Robert S. Ellin; (b) 4,705,184 shares of common stock owned by the Trinad Capital Master Fund, Ltd., of which Mr. Ellin is the managing director.; (c) 47,656 shares of common stock owned directly by Nancy J. Ellin, the spouse of Robert S. Ellin; (d) 225,456 shares of common stock owned directly by Atlantis Equities, Inc., a New York corporation of which Nancy J. Ellin is the sole stockholder; and (e) 81,442 shares of common stock owned by the Robert S. Ellin Profit Sharing Plan. Robert S. Ellin disclaims beneficial ownership of the shares of common stock directly beneficially owned by the Master Fund except to the extent of his pecuniary interests therein. Mr. Ellin also disclaims any beneficial ownership of shares of common stock owned directly by Mrs. Ellin, Atlantis Equities, Inc. and the Robert S. Ellin Profit Sharing Plan. The address is 2121 Avenue of the Stars, Suite 1650, Los Angeles, California 90067.

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Includes 51,000 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.

- (3) Based on a Schedule 13G filed with the SEC on January 8, 2009. The address is 540 Madison Avenue, New York, New York 10022.
- (4) Includes 3,200 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days. Adam Sutton is an employee of the Company and is the brother of Jesse and Joseph Sutton.
- (5) Includes 90,000 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (6) Based on a Schedule 13G filed with the SEC on February 13, 2009. The address is 50 Osgood Place, Penthouse, San Francisco, CA 94133.
- (7) Includes 221,000 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (8) Includes 35,161 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (9) Includes 39,535 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (10) Includes 54,778 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (11) Includes 3,746 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (12) Includes 24,510 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.
- (13) Includes 519,730 shares of common stock underlying outstanding options but does not include options that have not vested and are not vesting within 60 days.

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Below is information about our current directors. We have a staggered board of directors comprised of three classes and each director serves until the annual meeting associated with their class. The Class II board members are Laurence Aronson and Mark Stewart, who will serve until our annual meeting in 2010. The Class III board members are Stephen Wilson and Allan Grafman, who will serve until our annual meeting in 2011. The Class I board members are Jesse Sutton and Louis Lipschitz, who are up for re-election at this year's annual meeting, and if elected will serve until our annual meeting in 2012. Our Board of Directors has reviewed the materiality of any relationship that each of our directors has with Majesco, either directly or indirectly. Based upon this review, our Board has determined that the following members of the Board are independent directors as defined by the rules of the Nasdaq Stock Market: Laurence Aronson, Allan Grafman, Louis Lipschitz, Mark Stewart, and Stephen Wilson.

Class I

Name	Age	Position
Jesse Sutton	39	Chief Executive Officer and Director
Louis Lipschitz	63	Director

Class II

Name	Age	Position
Laurence Aronson	52	Director
Mark Stewart	57	Director

Class III

Name	Age	Position
Allan I. Grafman	55	Director
Stephen Wilson	62	Director

JESSE SUTTON. Mr. Sutton is currently our Chief Executive Officer and has served in such capacity since November 29, 2007 and prior to that as Interim Chief Executive Officer since August 23, 2006. Previously, he served as our President, other than from December 5, 2003 through August 24, 2004, when he served as our Chief Executive Officer. Mr. Sutton also serves as one of our directors. He had served as one of our directors since December 5, 2003, but resigned effective February 6, 2006 in order for our Board to continue to have a majority of independent directors. He joined the Board again on August 23, 2006. Jesse Sutton is Joseph Sutton's brother.

LOUIS LIPSCHITZ. Mr. Lipschitz has served as one of our directors since April 20, 2004. From February 1996 to March 2004, he served as Executive Vice President and Chief Financial Officer of Toys R Us, Inc. He currently serves

on the board of directors of Finlay Enterprises, New York and Company, Forward Industries, and The Children's Place Retail Stores, Inc.

LAURENCE ARONSON. Mr. Aronson has served as one of our directors since November 4, 2004. From 2003 to the present, he has served as the President and Chief Executive Officer of Cartwheel LLC, a marketing services company. From 2000 to 2003, he was the President of Sales and Customer Marketing at Revlon USA. Prior to that, he held senior leadership positions at Procter & Gamble and Warner Lambert/Adams USA.

MARK STEWART. Mr. Stewart has served as one of our directors since January 17, 2007. He previously served as Chief Executive Officer of Kodak Polychrome Graphics. Prior to that, he served

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as Chief Financial Officer for Qualex Inc., Liggett Group, Inc. and Simon & Schuster's trade publishing group.

ALLAN I. GRAFMAN. Mr. Grafman has served as one of our directors since April 11, 2007 and since December 4, 2007 as our Chairman. He is currently the President of All Media Ventures, and since 2005 has been an operating partner of Mercury Capital Partners. Previously, Mr. Grafman served as President of Archie Comics Entertainment and Executive Vice President, Chief Financial Officer of Hallmark Entertainment. From 1983 to 1996, at Tribune Entertainment, he served as Vice President and at parent Tribune Company, as Managing Director.

STEPHEN WILSON. Mr. Wilson has served as one of our directors since May 1, 2006. He is currently a partner with Camelot Equity Partners and a Senior Managing Director at Brock Capital. From May 2001 to February 2006, Mr. Wilson was Executive Vice President, Chief Financial Officer and Chief Administrative Officer at Footstar, Inc. He has also served as Executive Vice President and Chief Financial Officer of Bridge Information Systems, Reader's Digest Association and RJR Nabisco. His additional prior experience includes senior management and financial positions at Cadbury Schweppes North America and Pepsico, Inc.

Committees of the Board of Directors and Meetings

Meeting Attendance. The Board of Directors has a policy that directors make all reasonable efforts to attend our Company's annual stockholder meetings. Laurence Aronson, Allan Grafman, Louis Lipschitz, Mark Stewart and Stephen Wilson attended last year's annual stockholders' meeting. In fiscal 2008, there were a total of eight meetings of the Board of Directors; and the various committees of the Board met a total of 18 times. No director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during fiscal year 2008. The non-executive members of the Board also met regularly in executive session.

Audit Committee. The Board of Directors has a standing Audit Committee, consisting of Messrs. Louis Lipschitz (Chair), Allan Grafman, Laurence Aronson, Mark Stewart, and Stephen Wilson. Our Audit Committee held eight meetings during fiscal year 2008. The Audit Committee acts under a written charter, which more specifically sets forth its responsibilities and duties, as well as requirements for the Committee's composition and meetings. The charter of the Audit Committee can be found on our website at www.majescoentertainment.com.

The Board of Directors has determined that each member of the audit committee is independent, as that term is defined by applicable Securities and Exchange Commission rules. In addition, the Board of Directors has determined that each member of the audit committee is independent, as that term is defined by the rules of the Nasdaq Stock Market.

The Board has determined that Messrs. Louis Lipschitz, Mark Stewart and Stephen Wilson are financial experts serving on its Audit Committee, and are independent, as the SEC has defined that term in Item 407 of Regulation S-K. Please see the biographical information for these individuals contained in the section above entitled, "The Board of Directors."

Nominating and Governance Committee. The Board of Directors has a standing Nominating and Governance Committee. The Nominating and Governance Committee consists of Messrs. Stephen Wilson (Chair), Laurence Aronson, Allan Grafman, Louis Lipschitz, and Mark Stewart. The Committee may employ a variety of methods for identifying and evaluating nominees for director. All members of the Committee qualify as independent as defined by the rules of the Nasdaq Stock Market. The Nominating and Governance Committee held three meetings during fiscal year 2008. The Nominating and Governance Committee acts under a written charter, which more specifically sets forth its responsibilities and duties, as well as requirements for its composition and meetings. The charter of the Nominating and Governance Committee can be found on our website at www.majescoentertainment.com.

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The Committee regularly assesses the size of the Board, the need for particular expertise on the Board, the upcoming election cycle of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. Candidates may be evaluated at regular or special meetings of the Committee, and may be considered at any point during the year.

As reflected in the charter of the Nominating and Governance Committee, factors considered by the Committee in the selection of director nominees are those it may deem appropriate, including judgment, character, high ethics and standards, integrity, skills, diversity, independence, experience with businesses and organizations of a comparable size to the Company, the interplay of the candidate's experience with the experience of other Board of Directors members and the extent to which the candidate would be a desirable addition to the Board of Directors or any of its committees. In addition, in considering nominees for director, the Nominating and Governance Committee will review the qualifications of available candidates that are brought to the attention of the Committee by any member of the Board of Directors, stockholders and management or identified by the Committee through the use of search firms or otherwise.

The Nominating and Governance Committee does not set specific, minimum qualifications that nominees must meet in order for the Committee to recommend them to the Board of Directors, but rather believes that each nominee should be evaluated based on his or her individual merits, taking into account the needs of the Company and the composition of the Board of Directors. Members of the Nominating and Governance Committee discuss and evaluate possible candidates in detail prior to recommending them to the Board of Directors.

If a stockholder wishes to propose a candidate for consideration as a nominee by the Nominating and Governance Committee, it should follow the procedures described in this section and in the Company's Nominating and Corporate Governance Committee Charter. The Nominating and Governance Committee will consider candidates recommended by stockholders, when the nominations are properly submitted. The policy adopted by the Nominating and Governance Committee provides that nominees recommended by stockholders are given appropriate consideration and will be evaluated in the same manner as other nominees. Following verification of the stockholder status of persons proposing candidates, the Committee makes an initial analysis of the qualifications of any candidate recommended by stockholders or others pursuant to the criteria summarized above to determine whether the candidate is qualified for service on the Company's Board before deciding to undertake a complete evaluation of the candidate. If any materials are provided by a stockholder or professional search firm in connection with the nomination of a director candidate, such materials are forwarded to the Committee as part of its review. Other than the verification of compliance with procedures and stockholder status, and the initial analysis performed by the Committee, a potential candidate nominated by a stockholder is treated like any other potential candidate during the review process by the Committee.

Compensation Committee and Compensation Committee Interlocks and Insider Participation. The Compensation Committee of the Board of Directors is composed entirely of directors who are not our current or former employees, each of whom meets the applicable definition of "independent" as defined by the rules of the Nasdaq Stock Market. None of the members of the Compensation Committee during fiscal 2008 (i) had any relationships requiring disclosure by the Company under the SEC's rules requiring disclosure of related party transactions, and (ii) was an executive officer of a company of which an executive officer of the Company is a director. The current members of our Compensation Committee are Messrs. Laurence Aronson (Chair), Allan Grafman, Louis Lipschitz, Mark Stewart and Stephen Wilson. Our committee has no interlocks with other companies. Our Compensation Committee held five meetings during fiscal year 2008. The charter of the Compensation Committee can be found on our website at www.majescoentertainment.com.

The Committee is responsible for establishing and administering our executive compensation policies. The role of the Compensation Committee is to (i) formulate, evaluate and approve compensation of the Company's directors,

executive officers and key employees; (ii) oversee all compensation

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programs involving the use of the Company's stock; and (iii) produce, if required under the securities laws, a report on executive compensation for inclusion in the Company's proxy statement for its annual meeting of stockholders. The duties and responsibilities of the Compensation Committee under its charter include:

Annually reviewing and making recommendations to the Board with respect to compensation of directors, executive officers of the Company and key employees;

Annually reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and recommending to the Board the Chief Executive Officer's compensation levels based on this evaluation;

Reviewing competitive practices and trends to determine the adequacy of the executive compensation program;

Approving and overseeing compensation programs for executive officers involving the use of the Company's stock;

Approving and administering cash incentives and deferred compensation plans for executives (including any modification to such plans) and oversight of performance objectives and funding for executive incentive plans;

Annually evaluating the performance of the Compensation Committee; and

Making regular reports to the Board concerning the activities of the Compensation Committee.

When appropriate, the Compensation Committee may, in carrying out its responsibilities, form and delegate authority to subcommittees. The Chief Executive Officer plays a role in determining the compensation of our other executive officers by evaluating the performance of those executive officers. The Chief Executive Officer's evaluations are then reviewed by the Compensation Committee. This process leads to a recommendation for any changes in salary, bonus terms and equity awards, if any, based on performance, which recommendations are then reviewed and approved by the Compensation Committee.

From time to time the Compensation Committee has retained an independent compensation consulting firm, James F. Reda & Associates, LLC, to assist the Committee in determining appropriate short-term and long-term incentive awards for key executives. Other services have included a review of the chief executive officer's employment agreement, valuation of employee and director equity grants, valuation of warrants, and advisement on RiskMetrics policy guidelines.

The Compensation Committee retains the consulting firm directly, although in carrying out assignments, the consulting firm also interacts with Company management when necessary and appropriate in order to obtain compensation and performance data for the executives and the Company. In addition, the consultant may, in its discretion, seek input and feedback from management regarding its consulting work product prior to presentation to the Compensation Committee in order to confirm alignment with the Company's business strategy and/or identify data questions or other similar issues.

The Compensation Committee has the authority to retain, terminate and set the terms of the Company's relationship with any outside advisors who assist the Committee in carrying out its responsibilities.

Communications with the Board of Directors

Stockholders may communicate with the Board of Directors by sending an email to InvestorRelations@majescoentertainment.com or by sending a letter to Majesco Entertainment Company's Board of Directors, c/o the Office of the Secretary, 160 Raritan Center Parkway, Suite 1, Edison, New Jersey 08837. The Office of the Secretary will receive the correspondence and forward it to the

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Chairman or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to Majesco or its business, or is similarly inappropriate. The Office of the Secretary has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

Executive Officers

The following sets forth certain information regarding our executive officers. We currently have employment agreements with Jesse Sutton, our Chief Executive Officer, John Gross, our Executive Vice President and Chief Financial Officer, and Gui Karyo, our Executive Vice President, Operations. All executives are at-will employees.

Name	Age	Position
Jesse Sutton	39	Chief Executive Officer
John Gross	58	Executive Vice President and Chief Financial Officer
Gui Karyo	36	Executive Vice President, Operations
Joseph Sutton	36	Executive Vice President of Research and Development

JESSE SUTTON. See Management and Corporate Governance starting on page 6.

JOHN GROSS. Mr. Gross has served as our Executive Vice President and Chief Financial Officer since July 12, 2005. From December 2000 through June 2005, Mr. Gross served as Vice President, Corporate Development, for FactSet Research Systems Inc. Prior to such time, Mr. Gross served as Chief Financial Officer of Rare Medium and FactSet and held senior financial positions at PepsiCo, Inc., Reader's Digest Association and Cadbury Schweppes North America.

GUI KARYO. Mr. Karyo has served as our Executive Vice President, Operations since January 31, 2007. From August 2000 to September 2004, Mr. Karyo worked at Marvel Entertainment, Inc., most recently serving as Marvel's President of Publishing, Executive Vice President of Operations and Chief Information Officer. Prior to Marvel, Mr. Karyo served as Chief Technology and Chief Operating Officer for Lyrrus, Inc., a technology start-up that produced electronic hardware and software products for computer-based music education. From September 2004 to January 2007, Mr. Karyo acted as a freelance consultant for various companies in the digital media, technology and entertainment industries.

JOSEPH SUTTON. Mr. Sutton has served as our Executive Vice President of Research and Development since December 2003. He also served as one of our directors from December 5, 2003 to February 6, 2006. Joseph Sutton is Jesse Sutton's brother.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following Summary Compensation Table sets forth summary information as to compensation paid or accrued during the last two fiscal years ended October 31, 2007 and 2008 to (i) our current Chief Executive Officer, and (ii) our two next most highly compensated executive officers who earned more than \$100,000 during the fiscal year ended October 31, 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards⁽¹⁾ (\$)	Option Awards⁽²⁾ (\$)	All Other Compensation (\$)	Total (\$)
Jesse Sutton, Chief Executive Officer	2008	356,073 ⁽³⁾	349,300 ⁽⁴⁾	186,308	52,166		943,847
	2007	317,290	75,000	101,200	68,739	13,169	575,398
John Gross, Executive Vice President, Chief Financial Officer	2008	290,089 ⁽⁵⁾	141,900 ⁽⁴⁾	131,717	160,724	13,257 ⁽⁶⁾	737,687
	2007	267,462	33,500	67,600	222,903	13,258	604,723
Gui Karyo, Executive Vice President, Operations	2008	250,016	120,300 ⁽⁴⁾	225,346			595,662
	2007	180,781	31,300	137,667			349,748

(1) Represents the compensation expense incurred by us in fiscal year 2008. See Note 3 to our Consolidated Financial Statements reported in our Form 10-K for our fiscal year ended October 31, 2007 and in our Form 10-K for our fiscal year ended October 31, 2008 for details as to the assumptions used to determine the fair value of the stock awards and Note 14 in our Form 10-K for our fiscal year ended October 31, 2008 which describes all forfeitures during fiscal year 2008.

(2) Represents the compensation expense incurred by us in fiscal year 2008. See Note 3 to our Consolidated Financial Statements reported in our Form 10-K for our fiscal year ended October 31, 2007 and in our Form 10-K for our fiscal year ended October 31, 2008 for details as to the assumptions used to determine the fair value of the option awards and Note 14 in our Form 10-K for our fiscal year ended October 31, 2008 describing all forfeitures during fiscal year 2008.

(3) Reflects a salary increase of \$45,000 effective January 1, 2008.

(4) Pursuant to the company's 2008 incentive bonus program. See Narrative Disclosure to Summary compensation Table starting on page 11.

(5) Reflects a salary increase of 10% effective January 1, 2008.

(6) Reimbursement of certain travel related expenses.

Narrative Disclosure To Summary Compensation Table

On February 11, 2008, the Compensation Committee of our Board of Directors finalized and approved the terms of an incentive bonus plan for our 2008 fiscal year. Pursuant to the plan, each of our executive officers was eligible to receive an incentive bonus based upon a targeted percentage of his base salary. The percentage of base salary that each executive officer would receive if the Company achieved all of the objectives included in the plan was 100% for the chief executive officer and 50% for each other executive officer.

The 2008 incentive bonus program was comprised of two components, a funding component and an allocation component. The funding component is the basis on which the dollar amount of the bonus pool to be allocated among all participants was calculated and was based on the achievement by the Company of financial and operational goals (the **Goals**). The allocation component is the basis on which the actual bonus amount was to be paid to each participant.

If the Company met all of the financial and operational goals set forth below, the bonus pool for executive officers would be \$767,500 (the **Bonus Target**).

The financial goal (the **Financial Goal**) accounted for 75% of the Bonus Target, and was determined by a measure of net income.

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The four operational goals each accounted for 6.25% of the Bonus Target, and were as follows (the Operational Goals):

Successful execution of an international distribution agreement, or an alternative distribution solution, on certain terms or better;

Successful creation of a fully operational internal development studio that achieves certain milestones during fiscal 2008;

Successful implementation of the Company s value program; and

Successful development and implementation of a digital distribution strategy, including the digital publishing of a certain number of video game titles during fiscal 2008.

In January 2009, our Compensation Committee awarded bonuses of 98% of their targeted bonus amounts to each of our executive officers based upon the Company s partial achievement of the Financial Goal and its achievement of the four Operational Goals.

On August 3, 2008, our Compensation Committee made restricted stock grants under our Incentive Plan to our executive officers. The shares of restricted stock vest in equal installments over a three-year period beginning on the first anniversary of the grant date.

We currently have employment agreements with three of our named executive officers, Jesse Sutton, our Chief Executive Officer, John Gross, our Executive Vice President and Chief Financial Officer, and Gui Karyo, our Executive Vice President, Operations.

Mr. Sutton s employment agreement entered into this January 2009 provides for an annual base salary of \$363,000 and a discretionary bonus of up to 100% of his base salary.

Mr. Gross employment agreement entered into in 2005 provided for an annual base salary of \$250,000 and a discretionary bonus of up to 50% of his base salary. Under the agreement, Mr. Gross also received an automobile allowance of \$1,495 per month and reimbursement of certain travel related expenses. For fiscal 2008, the amount of the automobile allowance was made part of Mr. Gross salary, thereby increasing his salary to \$267,462. Effective January 1, 2008, he received a 10% increase in his salary to \$294,000. The agreement also provides that if the Company implements a long term incentive compensation program, he may be entitled to receive equity awards under such plan in an amount worth approximately 80% of his base salary.

Mr. Karyo s employment agreement entered into in January 2007 provides for an annual base salary of \$250,000 and a discretionary bonus of up to 50% of his base salary. Under the agreement, Mr. Karyo was awarded 300,000 shares of restricted stock that vests as to 33% of the shares on each of January 31, 2008 and January 31, 2009 and will vest as to 34% of such shares on January 31, 2010. The agreement also provides that if the Company implements a long term incentive compensation program, he may be entitled to receive equity awards under such plan in an amount worth approximately 65% of his base salary.

Table of Contents**Outstanding Equity Awards At Fiscal Year-End**

The following table shows grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended October 31, 2008, to each of the executive officers named in the Summary Compensation Table.

Name	Option Awards				Stock Awards	
	Number of Securities	Number of Securities	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾
Jesse Sutton	90,000		\$ 3.20	8/2/2012	420,404 ⁽²⁾	\$ 231,222
John Gross	100,000		\$ 7.23	6/27/2012		
	21,000		\$ 3.20	8/2/2012		
Gui Karyo	100,000		\$ 1.43	9/26//2012	300,395 ⁽³⁾	\$ 165,217
					384,915 ⁽⁴⁾	\$ 211,703

(1) The market value of the shares is determined by multiplying the number of shares times \$0.55, the closing price of our common stock on the Nasdaq Capital Market on October 31, 2008, the last day of our fiscal year.

(2) Shares vest as follows: 189,297 shares on August 3, 2009; 132,507 shares on August 3, 2010; and 98,600 shares on August 3, 2011.

(3) Shares vest as follows: 8,250 shares on February 11, 2009; 124,663 shares on August 3, 2009; 8,250 shares on February 11, 2010; 86,812 shares on August 3, 2010; 8,500 shares on February 11, 2011; and 63,920 shares on August 3, 2011.

(4) Shares vest as follows: 99,000 shares on January 31, 2009; 67,179 shares on August 3, 2009; 102,000 shares on January 31, 2010; 67,776 shares on August 3, 2010; and 48,960 shares on August 3, 2011.

Potential Payments Upon Termination or Change-In-Control

We have entered into agreements that require us to make payments and/or provide benefits to certain of our executive officers in the event of a termination of employment or a change of control. The following summarizes the potential payments to each named executive officer for which we have entered into such an agreement assuming that one of the events identified below occurs.

Mr. John Gross, Executive Vice President and Chief Financial Officer

Pursuant to his employment agreement, if the Company terminates Mr. Gross' employment without cause or the agreement is terminated by Mr. Gross for good reason, he will receive severance benefits from the Company, including:

continued payment of his base salary for a period of 12 months;

a cash lump sum payment, paid at the time the Company's annual bonus is generally paid, equal to his target bonus (50% of his base salary);

for any such termination occurring within 90 days after the end of the Company's fiscal year, but prior to the payment of any annual bonus for such period, an annual bonus with respect to such period, provided that he would have otherwise received an annual bonus if he had remained employed as of the date of the payment of such bonus;

reimbursement for any applicable premiums he would pay to continue coverage for himself and his eligible dependents under the Company's group health benefit plans under COBRA for a period of eighteen months, or, if earlier, until he is eligible for similar benefits from another employer; and

if such termination of employment occurs within 12 months after a change in control of the Company, then in addition to the payments above: (a) any unvested stock options and

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restricted stock held by Mr. Gross shall all be immediately and fully vested and exercisable; (b) the payment of his base salary would be in a single cash lump sum payment instead of over a 12 month period; and (c) a 280G Gross-Up payment to the extent any payment to him is characterized as a parachute payment within the meaning of the Internal Revenue Code of 1986.

The agreement contains customary confidentiality, non-competition, non-solicitation, and indemnification terms and is terminable at-will by either party, subject to the conditions set forth above.

Mr. Gross employment agreement defines Cause as follows:

an act of dishonesty or fraud in connection with his responsibilities with the intent that such action would result in his substantial personal enrichment;

a conviction or entry of nolo contendere for a felony;

his willful failure to follow lawful, reasonable instructions of the chief executive officer or president of the Company;

his willful misconduct, provided such conduct is injurious to the Company; or

his violation or breach of any fiduciary or contractual duty to the Company that results in material damage to the Company; provided that if any of the reasons for cause are curable, then they may be cured within 20 days of receipt of notice from the Company.

Mr. Gross employment agreement defines Good Reason as follows:

reassignment or reduction of his duties resulting in material change with respect to his position, authority or responsibilities;

reduction in base salary or annual incentive opportunity except for a reduction that is applied to substantially all of the other senior executives;

reduction of benefits except for a reduction that is applied to substantially all of the other senior executives;

change of his office location by more than 30 miles from his residence; or

a material breach of a material provision of his employment agreement by the Company, which, if curable, has not been cured within 20 days of notice to the Company.

Mr. Gui Karyo, Executive Vice President, Operations

Pursuant to his employment agreement, if the Company terminates Mr. Karyo's employment without cause or due to disability, or the agreement is terminated by Mr. Karyo for good reason, he will receive severance benefits from the Company, including:

continued payment of his base salary for a period of 12 months;

continued contributions towards his health care and dental benefits on the same basis as immediately prior to the date of termination for 12 months or, if earlier, until he is eligible for similar benefits from another

employer;

if such event occurs within 12 months after a change in control of the Company, then the payment of his base salary would be paid in a single cash lump sum payment instead of over a 12 month period; and

any unvested portion of the restricted stock grant of 300,000 shares made to him upon his appointment to the Company would fully vest.

The agreement contains customary confidentiality, non-competition, non-solicitation, and indemnification terms and is terminable at-will by either party, subject to the conditions set forth above.

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Mr. Karyo's employment agreement defines "Cause" as follows:

- a good faith finding of dishonesty, misconduct or negligence that is materially injurious to the Company, which, if curable, has not been cured within 10 days of notice from the Company;
- a conviction or entry of nolo contendere to any crime involving fraud, embezzlement, or moral turpitude; or
- a material breach of the terms of his employment agreement or employee non-disclosure agreement, which, if curable, has not been cured within 10 days of notice from the Company.

Mr. Karyo's employment agreement defines "Good Reason" as follows:

- assignment to him of duties inconsistent in any material aspect with his position, authority or responsibilities as outlined in his employment agreement;
- reassignment or reduction of his duties resulting in a material change with respect to his position, authority or responsibilities;
- change of his office location by more than 65 miles from his residence;
- reduction in base salary or annual incentive opportunity;
- an organizational or procedural change that would result in him not substantively reporting to the chief executive officer or regularly presenting operational reports to the Board; or
- any act that interferes with his ability to evaluate, discipline or terminate any individual directly reporting to him (except those employment actions advised by Company counsel); provided that if any event constituting Good Reason is curable then the Company shall have 30 days from receipt of notice to correct such event.

Mr. Jesse Sutton, Chief Executive Officer

Pursuant to his employment agreement, if the Company terminates Mr. Sutton's employment without cause or the agreement is terminated by Mr. Sutton for good reason, he will receive severance benefits from the Company, including:

- continued payment of his base salary on a monthly payroll basis for a period of 12 months;
- within 30 days:
 - a payment equal to the average of the percentages used to calculate Mr. Sutton's Annual Incentive Cash Bonus (as such term is defined in the employment agreement) in each of the previous three (3) fiscal years times Mr. Sutton's then current base salary (the "Severance Bonus"); and
 - a payment for accrued but untaken vacation days.
- acceleration and full vesting as of the date of termination of all unvested restricted stock, stock options and other equity awards held by Mr. Sutton at the time of such termination.

continued Company contributions toward Mr. Sutton's health care, dental, disability and life insurance benefits on the same basis as immediately prior to the date of termination for twelve (12) months following the date of termination. Notwithstanding the foregoing, the Company is not required to provide any health care, dental, disability or life insurance benefit otherwise receivable by Mr. Sutton if he is actually covered or becomes covered by an equivalent benefit (at the same cost to him, if any) from another source.

If the Company terminates Mr. Sutton's employment without cause or the agreement is terminated by Mr. Sutton for good reason within twenty-four (24) months of a change of

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control of the Company, he will receive severance benefits (in lieu of all other severance programs/amounts) from the Company, including:

payment within 30 days of his termination in an amount equal to:

two (2) years base salary;

the Severance Bonus; and

accrued but untaken vacation days.

acceleration and full vesting as of the date of termination of all unvested restricted stock, stock options and other equity awards held by Mr. Sutton at the time of such termination.

continued Company contributions toward Mr. Sutton's health care, dental, disability and life insurance benefits on the same basis as immediately prior to the date of termination for twelve (12) months following the date of termination. Notwithstanding the foregoing, the Company is not required to provide any health care, dental, disability or life insurance benefit otherwise receivable by Mr. Sutton if he is actually covered or becomes covered by an equivalent benefit (at the same cost to him, if any) from another source.

Mr. Sutton's employment agreement defines "Cause" as follows:

a good faith finding of dishonesty, gross negligence or misconduct that is injurious to the Company which, if curable, has not been cured within 10 business days of notice from the Company;

a good faith finding by the Company that Mr. Sutton has willfully failed to perform his duties thereunder that, if curable, has not been cured within 10 business days after notice from the Company;

Mr. Sutton's failure to follow a specific written directive of the Company's Board that is business justified and issued in good faith;

a conviction or entry of nolo contendere to any felony or crime involving moral turpitude, fraud, theft or embezzlement of Company property;

a material breach of his employment agreement that, if curable, has not been cured by Mr. Sutton within 10 business days after he shall have received written notice from the Company; or

Mr. Sutton's willful disclosure of confidential information or trade secrets and/or his breach of any confidentiality and non-disclosure agreements he may have executed and/or does execute during the term of his employment with the Company.

Mr. Sutton's employment agreement defines "Good Reason" as follows:

a material diminution in the his base compensation;

the material diminution in the his authority, duties or responsibilities, including no longer directly reporting to the Board; provided that such shall not constitute Good Reason if Mr. Sutton continues to be employed in one of the top three positions in the Company;

a change in geographic location at which Mr. Sutton must regularly perform services of more than fifty (50) miles;

the Company's decision not to renew Mr. Sutton's employment agreement at the conclusion of the Initial Term (as defined in Section 1.3 of such agreement) and/or at the conclusion of an Extended Term (as defined in Section 1.3 of such agreement); or

any other action or inaction that constitutes a material breach by the Company under Mr. Sutton's employment agreement.

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None of the foregoing events shall constitute Good Reason unless (i) Mr. Sutton gives notice to the Company of the occurrence or existence of one of the events and the Company has not cured the condition within thirty (30) days following receipt of such written notice and (ii) Mr. Sutton terminates employment within one hundred and twenty (120) days following the occurrence of such event.

Mr. Sutton's employment agreement defines "Change of Control" as the occurrence of the following events:

any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, merger or reorganization;

any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred;

a sale, lease or other disposition of all or substantially all of the assets of the Company in accordance with Delaware Law; or

a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" is defined in Mr. Sutton's employment agreement to mean directors who either (i) are directors of the Company as of January 8, 2009 or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

Notwithstanding any provision to the contrary, a Change of Control shall not include (1) any consolidation or merger effected exclusively to change the domicile of the Company, (2) the event of any Person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the Beneficial Owner (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or (3) any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or indebtedness of the Company is cancelled or converted or a combination thereof.

The agreement contains customary confidentiality, non-competition, non-solicitation, and indemnification terms and is terminable at-will by either party, subject to the conditions set forth above.

Table of Contents**Director Compensation**

The following table shows the total compensation paid or accrued during the fiscal year ended October 31, 2008 to each of our directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)⁽¹⁾⁽³⁾	Option Awards (\$)⁽²⁾⁽³⁾	Total (\$)
Jesse Sutton				
Laurence Aronson	40,000	39,996	19,972	100,401
Allan Grafman	65,834	51,331	32,489	128,769
Louis Lipschitz	50,000	39,996	19,972	109,968
Mark Stewart	40,000	26,664	8,271	74,935
Stephen Wilson	40,000	33,331	16,644	89,995

(1) Represents the compensation expense incurred by us in fiscal year 2008. See Note 3 to our Condensed Consolidated Financial Statements reported in our Form 10-K for our fiscal year ended October 31, 2008 for details as to the assumptions used to determine the fair value of the stock awards and Note 14 describing all forfeitures during fiscal year 2008.

(2) Represents the compensation expense incurred by us in fiscal year 2008. See Note 3 to our Condensed Consolidated Financial Statements reported in our Form 10-K for our fiscal year ended October 31, 2008 for details as to the assumptions used to determine the fair value of the option awards and Note 14 describing all forfeitures during fiscal year 2008.

Name	Number of Stock Options Held at Fiscal Year-End	Number of Shares of Restricted Stock Held at Fiscal Year-End
Laurence Aronson	98,776	20,976
Allan Grafman	133,534	35,405
Louis Lipschitz	103,875	20,976
Stephen Wilson	61,936	17,480
Mark Stewart	36,477	13,984

Director Compensation Program

Each non-employee director receives an annual cash retainer of \$40,000, other than the Chair of the Company's Audit Committee who receives \$50,000. In addition, the Chairman of the Board receives an additional annual cash retainer of \$50,000.

Each non-employee director also receives annual equity grants valued at \$40,000, other than the Chair of the Nominating and Governance Committee who receives grants valued at \$50,000, and the Chairs of the Compensation and Audit Committees who receive grants valued at \$60,000. The Chairman receives additional equity grants valued at \$80,000.

The equity portion of the compensation is a mix of 2/3 restricted stock and 1/3 stock options and is granted under the Incentive Plan. The restricted stock is awarded quarterly with the number of shares determined by dividing the applicable dollar amount by the fair market value of the Company's common stock on the day prior to the grant date. The stock options are awarded annually with the number of shares determined using a Black Scholes formula. The options vest over two years, with half vesting on each of the first and second anniversaries of the grant date.

Table of Contents**Equity Compensation Plan Information (as of October 31, 2008)**

Plan category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,352,610	\$ 5.61	1,174,534
Equity compensation plans not approved by security holders	150,000 ⁽¹⁾	\$ 1.55	
Total	1,502,610	\$ 5.20	1,174,534

(1) Represents warrants to purchase 150,000 shares of common stock at a purchase price per share of \$1.55 granted to a consultant in 2006.

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REPORT OF AUDIT COMMITTEE

The current members of the Audit Committee are Messrs. Louis Lipschitz (Chair), Laurence Aronson, Allan Grafman, Mark Stewart, and Stephen Wilson.

The Audit Committee of the Board of Directors, which consists entirely of directors who meet the required independence and experience requirements of Rule 10A-3 promulgated under the Securities Exchange Act of 1934 and the rules of the Nasdaq Stock Market, has furnished the following report:

The Committee assists the Board in overseeing and monitoring the integrity of our financial reporting process, its compliance with legal and regulatory requirements and the quality of its internal and external audit processes. The role and responsibilities of the Committee are set forth in a written charter adopted by the Board, which is available on our website at www.majescoentertainment.com. The Committee is responsible for selecting, retaining and determining the compensation of our independent auditors, approving the services they will perform, and reviewing the performance of the independent auditors. The Committee reviews with management and the independent auditors our annual financial statements on Forms 10-K and our quarterly financial statements on Forms 10-Q. The Committee reviews and reassesses the charter annually and recommends any changes to the Board for approval. The Committee is responsible for overseeing our overall financial reporting process. In fulfilling its responsibilities for the financial statements for fiscal year 2008, the Audit Committee took the following actions:

reviewed and discussed the audited financial statements for the fiscal year ended October 31, 2008 with management and McGladrey & Pullen, LLP, our independent auditors;

discussed with McGladrey & Pullen, LLP the matters required to be discussed in accordance with the rules set forth by the PCAOB, relating to the conduct of the audit; and

received written disclosures and the letter from McGladrey & Pullen, LLP regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding McGladrey & Pullen, LLP's communications with the Committee and the Committee further discussed with McGladrey & Pullen, LLP their independence. The Committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the Committee determined appropriate.

Based on the Audit Committee's review of the audited financial statements and discussions with management and McGladrey & Pullen, LLP, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE:

Louis Lipschitz (Chair)
Laurence Aronson
Allan I. Grafman
Mark Stewart
Stephen Wilson

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. These persons are required by regulation to furnish us with copies of all Section 16(a) reports that they file. Based on our review of the copies of these reports received by us, or written representations from the reporting persons that no other reports were required, we believe that, during fiscal 2008, all filing requirements applicable to our current officers, directors and greater than ten percent beneficial owners were complied with, except that reports of ownership were inadvertently filed late by Laurence Aronson (late Form 4 reporting one transaction), Allan Grafman (late Form 4 reporting one transaction), Louis Lipschitz (late Form 4 reporting one transaction), Mark Stewart (late Form 4 reporting one transaction), and Stephen Wilson (late Form 4 reporting one transaction).

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company receives printing and packaging services from a company of which the uncle of Jesse Sutton, our Chief Executive Officer, is an officer and co-owner. During the year ended October 31, 2007, the Company was charged \$1.2 million for services by this company, and during the year ended October 31, 2008 was charged \$0.1 million for services by this company.

During 2007, the Company sold approximately \$152,000 of inventory, and purchased \$47,000 of inventory, from Sutton Sales Inc., a company owned by Morris Sutton, the father of Jesse and Joseph Sutton. Morris Sutton is the former chief executive officer and chairman emeritus of the Company, who resigned effective January 1, 2007 and became a consultant to the Company.

The Company believes that the amounts charged in the transactions described above are equivalent to those that would be incurred in an arm's length transaction.

Morris Sutton resigned from the Company effective January 1, 2007, and became a consultant. The Company paid approximately \$334,000 to Mr. Sutton under a consulting agreement during the year ended October 31, 2007 and \$461,000 during the year ended October 31, 2008.

Our Audit Committee reviews all related person transactions. The Audit Committee shall approve only those related person transactions that are determined to be in, or not inconsistent with, the best interests of the Company and its stockholders, taking into account all available facts and circumstances as the Audit Committee determines in good faith to be necessary. These facts and circumstances will typically include, but not be limited to, the benefits of the transaction to the Company; the availability of other sources for comparable products or services; the terms of the transaction; the terms of comparable transactions that would be available to unrelated third parties or to employees generally; and the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer.