

MARINEMAX INC  
Form 10-K  
December 08, 2011  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**Form 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For fiscal year ended September 30, 2011**

**Commission File Number 1-14173**

**MarineMax, Inc.**

*(Exact Name of Registrant as Specified in Its Charter)*

**Delaware**  
*(State of Incorporation)*

**59-3496957**  
*(I.R.S. Employer Identification No.)*

**18167 U.S. Highway 19 North**

**Suite 300**

**Clearwater, Florida 33764**

**(727) 531-1700**

*(Address, including zip code, and telephone number,*

*including area code, of principal executive offices)*

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## Securities registered pursuant to Section 12(b) of the Exchange Act:

| Title of Each Class                      | Name of Each Exchange on Which Registered |
|--|---|
| Common Stock, par value \$.001 per share | New York Stock Exchange                   |

## Securities registered pursuant to Section 12(g) of the Exchange Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of common stock held by nonaffiliates of the registrant (17,912,697 shares) based on the closing price of the registrant's common stock as reported on the New York Stock Exchange on March 31, 2011, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$176,619,192. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of December 6, 2011, there were outstanding 23,421,011 shares of the registrant's common stock, par value \$.001 per share.

## Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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**Statement Regarding Forward-Looking Information**

The statements contained in this report on Form 10-K that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our expectations, anticipations, intentions, beliefs, or strategies regarding the future. Forward-looking statements also include statements regarding revenue, margins, expenses, and earnings for fiscal 2012 and thereafter; our belief that our practices enhance our ability to attract more customers, foster an overall enjoyable boating experience, and offer boat manufacturers stable and professional retail distribution and a broad geographic presence; our assessment of our competitive advantages, including our no hassle sales approach, prime retail locations, premium product offerings, extensive facilities, strong management and team members, and emphasis on customer service and satisfaction before and after a boat sale; our belief that our core values of customer service and satisfaction and our strategies will enable us to achieve success and long-term growth when economic conditions improve; and our belief that our retailing strategies are aligned with the desires of consumers. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed under Item 1A, Risk Factors.

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**PART I**

**Item 1. Business**

**Introduction**

**Our Company**

We are the largest recreational boat dealer in the United States. Through 54 retail locations in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas, we sell new and used recreational boats, including pleasure and fishing boats, with a focus on premium brands in each segment. We also sell related marine products, including engines, trailers, parts, and accessories. In addition, we provide repair, maintenance, and slip and storage services; we arrange related boat financing, insurance, and extended service contracts; we offer boat and yacht brokerage services; and we operate a yacht charter business.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Bayliner, Cabo, Hatteras, and Meridian recreational boats and yachts, all of which are manufactured by Brunswick Corporation, or Brunswick. Sales of new Brunswick boats accounted for approximately 48% of our revenue in fiscal 2011. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe our sales represented approximately 7% of all Brunswick marine sales, including approximately 41% of its Sea Ray boat sales, during our 2011 fiscal year. We are parties to dealer agreements with Brunswick covering Sea Ray products and are the exclusive dealer of Sea Ray boats in almost all of our geographic markets. We also are the exclusive dealer for Hatteras Yachts throughout the state of Florida (excluding the Florida panhandle) and the states of New Jersey, New York, and Texas; the exclusive dealer for Cabo Yachts throughout the states of Florida, New Jersey, and New York; the exclusive dealer for Boston Whaler in many of our geographic markets; the exclusive dealer for Bayliner in many of our geographic markets; and the exclusive dealer for Meridian Yachts in most of our geographic markets. In addition, we are the exclusive dealer for Italy-based Azimut-Benetti Group for Azimut mega-yachts, yachts, and other recreational boats for the Northeast United States from Maryland to Maine and the state of Florida.

We commenced operations as a result of the March 1, 1998 acquisition of five previously independent recreational boat dealers. Since that time, we have acquired 21 additional previously independent recreational boat dealers, two boat brokerage operations, and two full-service yacht repair operations. We capitalize on the experience and success of the acquired companies in order to establish a new national standard of customer service and responsiveness in the highly fragmented retail boating industry. As a result of our emphasis on premium brand boats, our average selling price for a new boat in fiscal 2011 was approximately \$126,000, a decrease of approximately 13% from approximately \$145,000 in fiscal 2010, compared with the industry average calendar 2010 selling price of approximately \$35,000 based on industry data published by the National Marine Manufacturers Association. Our stores, which operated at least 12 months, averaged approximately \$9.9 million in annual sales in fiscal 2011. We consider a store to be one or more retail locations that are adjacent or operate as one entity. Our same-store sales decreased 17% in fiscal 2010 and increased 8% in fiscal 2011.

We adopt the best practices developed by us and our acquired companies as appropriate to enhance our ability to attract more customers, foster an overall enjoyable boating experience, and offer boat manufacturers stable and professional retail distribution and a broad geographic presence. We believe that our full range of services, no hassle sales approach, prime retail locations, premium product offerings, extensive facilities, strong management and team members, and emphasis on customer service and satisfaction before and after a boat sale are competitive advantages that enable us to be more responsive to the needs of existing and prospective customers.

The U.S. recreational boating industry generated approximately \$30.4 billion in retail sales in calendar 2010, which is down from the peak of \$39.5 billion in calendar 2006. The retail sales include sales of new and used boats; marine products, such as engines, trailers, equipment, and accessories; and related expenditures, such as fuel, insurance, docking, storage, and repairs. Retail sales of new and used boats, engines, trailers, and accessories accounted for approximately \$21.7 billion of these sales in 2010 based on industry data from the National Marine Manufacturers Association. The highly fragmented retail boating industry generally consists of small dealers that operate in a single market and provide varying degrees of merchandising, professional

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management, and customer service. We believe that many small dealers are finding it increasingly difficult to make the managerial and capital commitments necessary to achieve higher customer service levels and upgrade systems and facilities as required by boat manufacturers and demanded by customers. We also believe that many dealers lack an exit strategy for their owners. We believe these factors contribute to our opportunity to gain competitive advantage in current and future markets, through market expansions and acquisitions.

### **Strategy**

Our goal is to enhance our position as the nation's leading recreational boat dealer. Key elements of our operating and growth strategy include the following:

emphasizing customer satisfaction and loyalty by creating an overall enjoyable boating experience, beginning with a hassle-free purchase process, customer training, superior customer service, company-led events called Getaways!, and premier facilities;

achieving efficiencies and synergies among our operations to enhance internal growth and profitability;

promoting national brand name recognition and the MarineMax connection;

offering additional products and services, including those involving higher profit margins;

expanding our Internet marketing;

pursuing strategic acquisitions to capitalize upon the consolidation opportunities in the highly fragmented recreational boat dealer industry by acquiring additional dealers and related operations and improving their performance and profitability through the implementation of our operating strategies;

opening additional retail facilities in our existing and new territories;

emphasizing employee recruitment, training, and development;

emphasizing the best practices developed by us and our acquired dealers as appropriate throughout our dealerships;

operating with a decentralized approach to the operational management of our dealerships; and

utilizing information technology throughout operations, which facilitates the interchange of information sharing and enhances cross-selling opportunities throughout our company.

### **Development of the Company; Expansion of Business**

MarineMax was founded in January 1998. MarineMax itself, however, conducted no operations until the acquisition of five independent recreational boat dealers on March 1, 1998, and we completed our initial public offering in June 1998. Since the initial acquisitions in March 1998, we have acquired 21 additional recreational boat dealers, two boat brokerage operations, and two full-service yacht repair operations. Acquired dealers operate under the MarineMax name.

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We continually attempt to enhance our business by providing a full range of services, offering extensive and high-quality product lines, maintaining prime retail locations, pursuing the MarineMax One Price hassle-free sales approach, and emphasizing the highest level of customer service and customer satisfaction.

We also evaluate opportunities to expand our operations by acquiring recreational boat dealers to expand our geographic scope, expanding our product lines, opening new retail locations within our existing territories, and offering new products and services for our customers.

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Acquisitions of additional recreational boat dealers represent an important strategy in our goal to enhance our position as the nation's leading retailer of recreational boats. The following table sets forth information regarding the businesses that we have acquired and their geographic regions.

| <b>Acquired Companies</b>  | <b>Acquisition Date</b> | <b>Geographic Region</b>        |
|--|-------------------------|---------------------------------|
| Bassett Boat Company of Florida  | March 1998              | Southeast Florida               |
| Louis DelHomme Marine  | March 1998              | Dallas and Houston, Texas       |
| Gulfwind USA, Inc.   | March 1998              | West Central Florida            |
| Gulfwind South, Inc.   | March 1998              | Southwest Florida               |
| Harrison's Boat Center, Inc. and Harrison's Marine Centers of Arizona, Inc.(1) | March 1998              | Northern California and Arizona |
| Stovall Marine, Inc.   | April 1998              | Georgia                         |
| Cochran's Marine, Inc. and C & N Marine Corporation                            | July 1998               | Minnesota                       |
| Sea Ray of North Carolina, Inc.  | July 1998               | North and South Carolina        |
| Brevard Boat Company   | September 1998          | East Central Florida            |
| Sea Ray of Las Vegas   | September 1998          | Nevada                          |
| Treasure Cove Marina, Inc.   | September 1998          | Northern Ohio                   |
| Woods & Oviatt, Inc.   | October 1998            | Southeast Florida               |
| Boating World  | February 1999           | Dallas, Texas                   |
| Merit Marine, Inc.   | March 1999              | Southern New Jersey             |
| Suburban Boatworks, Inc.   | April 1999              | Central New Jersey              |
| Hansen Marine, Inc.  | August 1999             | Northeast Florida               |
| Duce Marine, Inc.(2)   | December 1999           | Utah                            |
| Clark's Landing, Inc. (selected New Jersey locations and operations)           | April 2000              | Northern New Jersey             |
| Associated Marine Technologies, Inc.   | January 2001            | Southeast Florida               |
| Gulfwind Marine Partners, Inc.   | April 2002              | West Florida                    |
| Seaside Marine, Inc.   | July 2002               | Southern California             |
| Sundance Marine, Inc.  | June 2003               | Colorado                        |
| Killinger Marine Center, Inc. and Killinger Marine Center of Alabama, Inc.     | September 2003          | Northwest Florida and Alabama   |
| Emarine International, Inc. and Steven Myers, Inc.                             | October 2003            | Southeast Florida               |
| Imperial Marine  | June 2004               | Baltimore, Maryland             |
| Port Jacksonville Marine   | June 2004               | Northeast Florida               |
| Port Arrowhead Marina, Inc.  | January 2006            | Missouri, Oklahoma              |
| Great American Marina(3)   | February 2006           | West Florida                    |
| Surfside 3 Marina, Inc.  | March 2006              | Connecticut, Maryland,          |
|  |                         | New York and Rhode Island       |
| Treasure Island Marina, LLC  | February 2011           | Florida Panhandle               |

(1) We subsequently closed the Northern California operations of Harrison Boat Center, Inc.

(2) We subsequently closed the operations of Duce Marine, Inc.

(3) Joint venture

Apart from acquisitions, we have opened 28 new retail locations in existing territories, excluding those opened on a temporary basis for a specific purpose. We also monitor the performance of our retail locations and close retail locations that do not meet our expectations. Based on these factors and the recent depressed economic conditions, we have closed 50 retail locations since March 1998, excluding those opened on a temporary basis for a specific purpose, including 26 in fiscal 2009.

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As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. In connection with these discussions, we and each potential acquisition candidate exchange confidential operational and financial information; conduct due diligence



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inquiries; and consider the structure, terms, and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time, grants us an option to purchase the prospective dealer for a designated price during a specific time period, and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information and converting its accounting system to the system specified by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated.

In addition to acquiring recreational boat dealers and opening new retail locations, we also add new product lines to expand our operations. The following table sets forth various current product lines that we have added to our existing locations during the years indicated.

| <b>Product Line</b>       | <b>Fiscal Year</b> | <b>Geographic Regions</b>  |
|---------------------------|--------------------|--|
| Boston Whaler             | 1998               | West Central Florida; Stuart, Florida; Dallas, Texas   |
| Hatteras Yachts           | 1999               | Florida (excluding the Florida panhandle)  |
| Boston Whaler             | 2000               | North Palm Beach, Florida  |
| Meridian Yachts           | 2002               | Florida, Georgia, North and South Carolina, New Jersey, Ohio, Minnesota, Texas, and Delaware |
| Grady White               | 2002               | Houston, Texas   |
| Hatteras Yachts           | 2002               | Texas  |
| Boston Whaler             | 2004               | North and South Carolina   |
| Princecraft               | 2004               | Minnesota  |
| Boston Whaler             | 2005               | Houston  |
| Meridian Yachts           | 2005               | Chattanooga, Tennessee   |
| Azimut                    | 2006               | Northeast United States from Maryland to Maine   |
| Cabo                      | 2006               | West coast of Florida  |
| Cabo                      | 2007               | East coast of Florida  |
| Azimut                    | 2008               | Florida  |
| Cabo                      | 2008               | New Jersey and New York  |
| Hatteras Yachts           | 2008               | New Jersey and New York  |
| Meridian Yachts           | 2008               | Arizona and Colorado   |
| Meridian Yachts           | 2009               | Maryland and Delaware  |
| Boston Whaler             | 2009               | Southwest Florida  |
| Harris FloteBote          | 2010               | Arizona, Missouri, Minnesota, New Jersey, and Tennessee                                      |
| Malibu                    | 2010               | Arizona  |
| Axis                      | 2010               | Arizona  |
| Nautique by Correct Craft | 2010               | Georgia and Minnesota  |
| Bayliner                  | 2010               | New York   |
| Meridian Yachts           | 2010               | California   |
| Harris FloteBote          | 2011               | West Central Florida   |
| Zeelander Yachts          | 2011               | United States and Canada   |
| Mangusta                  | 2011               | United States and Canada   |
| Bayliner                  | 2011               | West Central Florida, Colorado, Connecticut, Minnesota, New Jersey, Tennessee, and Texas     |

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As we add a brand, we believe we are offering a migration path for our existing customer base or filling a gap in our product offerings. As a result, we do not believe that new product offerings will compete with or cannibalize the business generated from our other prominent brands. We also discontinue offering product lines from time to time, primarily based upon customer preferences.

During the nine-year period from the commencement of our operations through our fiscal year ended September 30, 2007, our revenue increased from \$291 million to \$1.2 billion. Our revenue and net income increased in seven of those nine years over the prior year revenue and net income. This period was marked by an increase in retail locations from 41 on September 30, 1998 to 88 on September 30, 2007, resulting from acquisitions and opening new stores in existing territories.

Our growth was interrupted during the fiscal year ended September 30, 2007, primarily as a result of factors related to the deteriorating housing market and general economic conditions. Substantially deteriorating economic and financial conditions, reduced consumer confidence and spending, increases in fuel prices, lower credit availability, financial market declines, and asset value deterioration all contributed to substantially lower financial performance in the fiscal years ended September 30, 2008 and 2009, including significant net losses, followed by pre-tax losses in the fiscal years ended September 30, 2010 and 2011.

We have taken a number of actions to address recent market and economic conditions, including deferring our acquisition program, slowing our new store openings, reducing our inventory purchases, engaging in inventory reduction efforts, closing a number of our retail locations, significantly reducing our headcount, and modifying our debt structure and replacing our credit facility. Acquisitions and new store openings remain important strategies to our company, and we plan to resume our growth through these strategies when more normal economic conditions return. However, we cannot predict the length or severity of the current recessionary environment or the magnitude of the effects it will have on our operating performance nor can we predict the effectiveness of the measures we have taken to address this environment.

Despite the foregoing actions, we are maintaining our core values of customer service and satisfaction and plan to continue to pursue strategies that will enable us to achieve long-term success and growth when economic conditions improve. As noted in the earlier table, we have capitalized on a number of brand expansion opportunities in the markets in which we operate. We believe these expansions will strengthen our same-store sales growth when the industry recovers. Upon a return to more normal economic conditions, we plan to resume expanding our business through acquisitions in new geographical territories and new store openings in existing territories. In addition, we plan to continue to expand our other traditional and newly offered services, including conducting used boat sales at our retail locations, online, and at offsite locations; selling related marine products, including engines, trailers, parts, and accessories at our retail locations and at various offsite locations, through our print catalog, and through our newly enhanced website portal; providing maintenance, repair, and storage services at most of our retail locations; offering our customers the ability to finance new or used boats; offering extended service contracts; arranging insurance coverage, including boat property, credit-life, accident, disability, and casualty coverage; offering boat and yacht brokerage services at most of our retail locations and at various offsite locations; maintaining a web based listing service for individuals and boat dealers and brokers to list their boats for sale; providing independent brokers and dealers our software applications to list their inventories for sale; conducting our yacht charter business, and maintaining a Rewards Club for our customers. Our expansion plans will depend upon the return of normal economic conditions.

We maintain our executive offices at 18167 U.S. Highway 19 North, Suite 300, Clearwater, Florida 33764, and our telephone number is (727) 531-1700. We were incorporated in the state of Delaware in January 1998. Unless the context otherwise requires, all references to MarineMax mean MarineMax, Inc. prior to its acquisition of five previously independent recreational boat dealers in March 1998 (including their related real estate companies) and all references to the Company, our company, we, us, and our mean, as a combined company, MarineMax, Inc. and the 21 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair operations acquired to date (the acquired dealers, and together with the brokerage and repair operations, operating subsidiaries, or the acquired companies).

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Our website is located at *www.MarineMax.com*. Through our website, we make available free of charge our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are available as soon as reasonably practicable after we electronically file those reports with the Securities and Exchange Commission, or SEC. We also post on our website the charters of our Audit, Compensation, and Nominating/Corporate Governance Committees; our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Code of Ethics for the CEO and Senior Financial Officers, and any amendments or waivers thereto; and any other corporate governance materials contemplated by the SEC or the regulations of the New York Stock Exchange, or NYSE. These documents are also available in print to any stockholder requesting a copy from our corporate secretary at our principal executive offices. Because our common stock is listed on the NYSE, our Chief Executive Officer is required to make an annual certification to the NYSE stating that he is not aware of any violation by us of the corporate governance listing standards of the NYSE. Our Chief Executive Officer made his annual certification to that effect to the NYSE on March 14, 2011.

### **Business**

#### **General**

We are the largest recreational boat dealer in the United States. Through 54 retail locations in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas, we sell new and used recreational boats, including pleasure boats (such as sport boats, sport cruisers, sport yachts, and yachts), and fishing boats, with a focus on premium brands in each segment.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Bayliner Cabo, Hatteras, and Meridian recreational boats and yachts, all of which are manufactured by Brunswick Corporation. Sales of new Brunswick boats accounted for approximately 48% of our revenue in fiscal 2011. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe our sales represented approximately 7% of all Brunswick marine sales, including approximately 41% of its Sea Ray boat sales, during our 2011 fiscal year. We are parties to dealer agreements with Brunswick covering Sea Ray products and are the exclusive dealer of Sea Ray boats in almost all of our geographic markets. We also are the exclusive dealer for Hatteras Yachts throughout the state of Florida (excluding the Florida panhandle) and the states of New Jersey, New York, and Texas; the exclusive dealer for Cabo Yachts throughout the states of Florida, New Jersey, and New York; the exclusive dealer for Boston Whaler in many of our geographic markets; the exclusive dealer for Bayliner in many of our geographic markets; and the exclusive dealer for Meridian Yachts in most of our geographic markets. In addition, we are the exclusive dealer for Italy-based Azimut-Benetti Group for Azimut mega-yachts, yachts, and other recreational boats for the Northeast United States from Maryland to Maine and the state of Florida.

We also are involved in other boating-related activities. We sell used boats at our retail locations, online, and at various third-party marinas and other offsite locations; we sell marine engines and propellers, primarily to our retail customers as replacements for their existing engines and propellers; we sell a broad variety of parts and accessories at our retail locations and at various offsite locations, through our print catalog, and through our newly enhanced website portal; we offer maintenance, repair, and slip and storage services at most of our retail locations; we offer finance and insurance, or F&I, products at our retail locations and at various offsite locations and to our customers and independent boat dealers and brokers; we offer boat and yacht brokerage services at most of our retail locations and at various offsite locations; we maintain a web-based listing service for individuals and boat dealers and brokers to list their boats for sale; we provide independent dealers and brokers our software applications under which the dealers and brokers can list their boat inventories for sale, which then can be posted to other websites selected by the dealers and brokers; and we conduct a yacht charter business in which we offer customers the opportunity to charter third-party owned power and sailing yachts in exotic locations.

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### **U.S. Recreational Boating Industry**

The total U.S. recreational boating industry generated approximately \$30.4 billion in retail sales in calendar 2010, which is down from the peak of \$39.5 billion in calendar 2006. The retail sales include retail sales of new and used recreational boats; marine products, such as engines, trailers, parts, and accessories; and related boating expenditures, such as fuel, insurance, docking, storage, and repairs. Retail sales of new and used boats, engines, trailers, and accessories accounted for approximately \$21.7 billion of such sales in 2010. Annual retail recreational boating sales were \$17.9 billion in 1988, but declined to a low of \$10.3 billion in 1992 based on industry data published by the National Marine Manufacturers Association. We believe this decline was attributable to several factors, including a recession, the Gulf War, and the imposition throughout 1991 and 1992 of a luxury tax on boats sold at prices in excess of \$100,000. The luxury tax was repealed in 1993, and retail boating sales increased each year thereafter except for 1998, 2003, 2007, 2008, 2009, and 2010.

The recreational boat retail market remains highly fragmented with little consolidation having occurred to date and consists of numerous boat retailers, most of which are small companies owned by individuals that operate in a single market and provide varying degrees of merchandising, professional management, and customer service. We believe that many boat retailers are encountering increased pressure from boat manufacturers to improve their levels of service and systems, increased competition from larger national retailers in certain product lines, and, in certain cases, business succession issues.

### **Strategy**

Our goal is to enhance our position as the nation's leading recreational boat dealer. Key elements of our operating and growth strategy include the following.

*Emphasizing Customer Satisfaction and Loyalty.* We seek to achieve a high level of customer satisfaction and establish long-term customer loyalty by creating an overall enjoyable boating experience beginning with a hassle-free purchase process. We further enhance and simplify the purchase process by helping to arrange financing and insurance at our retail locations with competitive terms and streamlined turnaround. We offer the customer a thorough in-water orientation of boat operations where available, as well as ongoing boat safety, maintenance, and use seminars and demonstrations for the customer's entire family. We also continue our customer service after the sale by leading and sponsoring MarineMax Getaways! group boating trips to various destinations, rendezvous gatherings, and on-the-water organized events to provide our customers with pre-arranged opportunities to enjoy the pleasures of the boating lifestyle. We also endeavor to provide superior maintenance and repair services, often through mobile service at the customer's wet slip and with extended service department hours and emergency service availability, that minimize the hassles of boat maintenance.

*Achieving Operating Efficiencies and Synergies.* We strive to increase the operating efficiencies of and achieve certain synergies among our dealerships in order to enhance internal growth and profitability. We centralize various aspects of certain administrative functions at the corporate level, such as accounting, finance, insurance coverage, employee benefits, marketing, strategic planning, legal support, purchasing and distribution, and management information systems. Centralization of these functions reduces duplicative expenses and permits the dealerships to benefit from a level of scale and expertise that would otherwise be unavailable to each dealership individually. We also seek to realize cost savings from reduced inventory carrying costs as a result of purchasing boat inventories on a national level and directing boats to dealership locations that can more readily sell such boats; lower financing costs through our credit sources; and volume purchase discounts and rebates for certain marine products, supplies, and advertising. The ability of our retail locations to offer the complementary services of our other retail locations, such as offering customer excursion opportunities, providing maintenance and repair services at the customer's boat location, and giving access to a larger inventory, increases the competitiveness of each retail location. By centralizing these types of activities, our store managers have more time to focus on the customer and the development of their teams.

*Promoting Brand Name Recognition and the MarineMax Connection.* We are promoting our brand name recognition to take advantage of our status as the nation's only coast-to-coast marine retailer. This strategy also recognizes that many existing and potential customers who reside in Northern markets and vacation for sub-

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stantial periods in Southern markets will prefer to purchase and service their boats from the same well-known company. We refer to this strategy as the MarineMax Connection. As a result, our signage emphasizes the MarineMax name at each of our locations, and we conduct national advertising in various print and other media.

*Offering Additional Products and Services, Including Those Involving Higher Profit Margins.* We plan to continue to offer additional product lines and services throughout our dealerships and, when appropriate, online and various offsite locations. We are offering throughout our dealerships product lines that previously have been offered only at certain of our locations. We also obtain additional product lines through the acquisition of distribution rights directly from manufacturers and the acquisition of dealerships with distribution rights. In either situation, such expansion is typically done through agreements that appoint us as the exclusive dealer for a designated geographic territory. We plan to continue to grow our financing and insurance, parts and accessories, service, and boat storage businesses to better serve our customers and thereby increase revenue and improve profitability of these higher margin businesses. We also have implemented aggressive programs to increase substantially the sale over the Internet of used boats and a wide range of boating parts, accessories, supplies, and products. In addition, we have established a yacht charter business and are conducting programs to sell used boats, offer F&I products, and sell boating parts and accessories at various offsite locations.

*Marketing over the Internet.* Our web initiatives span across multiple websites, including our core site, [www.MarineMax.com](http://www.MarineMax.com). The websites provide customers with the ability to learn more about our company and our products. Our website generates direct sales and provides our stores with leads to potential customers for new and used boats, brokerage services, finance and insurance products, and repair and maintenance services. In addition, we utilize various feeder websites and social networking websites to drive additional traffic and leads for our various product and service offerings. As mentioned above, we also maintain multiple online storefronts for customers to purchase used boats and a wide variety of boating parts and accessories.

*Pursuing Strategic Acquisitions.* We capitalize upon the significant consolidation opportunities available in the highly fragmented recreational boat dealer industry by acquiring independent dealers and improving their performance and profitability through the implementation of our operating strategies. The primary acquisition focus is on well-established, high-end recreational boat dealers in geographic markets not currently served by us, particularly geographic markets with strong boating demographics, such as areas within the coastal states and the Great Lakes region. We also may seek to acquire boat dealers that, while located in attractive geographic markets, have not been able to realize favorable market share or profitability and that can benefit substantially from our systems and operating strategies. We may expand our range of product lines, service offerings, and market penetration by acquiring companies that distribute recreational boat product lines or boating-related services different from those we currently offer. As a result of our considerable industry experience and relationships, we believe we are well positioned to identify and evaluate acquisition candidates and assess their growth prospects, the quality of their management teams, their local reputation with customers, and the suitability of their locations. We believe we are regarded as an attractive acquirer by boat dealers because of (1) the historical performance and the experience and reputation of our management team within the industry; (2) our decentralized operating strategy, which generally enables the managers of an acquired dealer to continue their involvement in dealership operations; (3) the ability of management and employees of an acquired dealer to participate in our growth and expansion through potential stock ownership and career advancement opportunities; and (4) the ability to offer liquidity to the owners of acquired dealers through the receipt of common stock or cash. We have entered into an agreement regarding acquisitions with the Sea Ray Division of Brunswick. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement, as further described in Business Brunswick Agreement Relating to Acquisitions.

*Opening New Facilities.* We intend to continue to establish additional retail facilities in our existing and new markets when markets conditions improve. We believe that the demographics of our existing geographic territories support the opening of additional facilities, and we have opened 28 new retail facilities, excluding those opened on a temporary basis for a specific purpose, since our formation in January 1998. We also plan to

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reach new customers through various innovative retail formats developed by us, such as mall stores and floating retail facilities. We continually monitor the performance of our retail locations and close retail locations that do not meet our expectations or that were opened for a specific purpose that is no longer relevant. Based on these factors since March 1998, we have closed 50 retail locations, excluding those opened on a temporary basis for a specific purpose, including 26 in fiscal 2009.

*Emphasizing Employee Recruiting, Training, and Development.* We devote substantial efforts to recruit employees that we believe to be exceptionally well qualified for their position and to train our employees to understand our core retail philosophies, which focus on making the purchase of a boat and its subsequent use as hassle-free and enjoyable as possible. Through our MarineMax University, or MMU, we teach our retail philosophies to existing and new employees at various locations and online, through MMU-online. MMU is a modularized and instructor-led educational program that focuses on our retailing philosophies and provides instruction on such matters as the sales process, customer service, F&I, accounting, leadership, and human resources.

*Emphasizing Best Practices.* We emphasize the best practices developed by us and our acquired dealers as appropriate throughout our locations. As an example, we follow a no-haggle sales approach at each of our dealerships. Under the MarineMax One Price hassle-free sales approach, we sell our boats at posted prices, generally representing a discount from the manufacturer's suggested retail price, thereby eliminating the anxieties of price negotiations that occur in most boat purchases. In addition, we adopt, where beneficial, the best practices developed by us and our acquired dealers in terms of location, design, layout, product purchases, maintenance and repair services (including extended service hours and mobile or dockside services), product mix, employee training, and customer education and services.

*Operating with Decentralized Management.* We maintain a generally decentralized approach to the operational management of our dealerships. The decentralized management approach takes advantage of the extensive experience of local managers, enabling them to implement policies and make decisions, including the appropriate product mix, based on the needs of the local market. Local management authority also fosters responsive customer service and promotes long-term community and customer relationships. In addition, the centralization of certain administrative functions at the corporate level enhances the ability of local managers to focus their efforts on day-to-day dealership operations and the customers.

*Utilizing Technology Throughout Operations.* We believe that our management information system, which currently is being utilized by each of our dealerships and was developed over a number of years through cooperative efforts with a common vendor, enhances our ability to integrate successfully the operations of our dealerships and future acquired dealers. The system facilitates the interchange of information and enhances cross-selling opportunities throughout our company. The system integrates each level of operations on a company-wide basis, including purchasing, inventory, receivables, financial reporting, budgeting, and sales management. The system also provides sales representatives with prospect and customer information that aids them in tracking the status of their contacts with prospects, automatically generates follow-up correspondence to such prospects, facilitates the availability of boats company-wide, locates boats needed to satisfy particular customer requests, and monitors the maintenance and service needs of customers' boats. Our representatives also utilize the computer system to assist in arranging customer financing and insurance packages. Our managers use a web-based tool to access essentially all financial and operational data from anywhere at any time.

## **Products and Services**

We offer new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. While we sell a broad range of new and used boats, we focus on premium brand products. In addition, we assist in arranging related boat financing, insurance, and extended service contracts; provide boat maintenance and repair services; offer slip and storage accommodations; provide boat and yacht brokerage services; license a software application for third-party boat inventory listings; conduct a yacht charter business; and maintain a Rewards Club program for our customers.

**Table of Contents****New Boat Sales**

We primarily sell recreational boats, including pleasure boats and fishing boats. The principal products we offer are manufactured by Brunswick, the leading worldwide manufacturer of recreational boats, including Sea Ray pleasure boats, Boston Whaler fishing boats, Cabo Yachts, Hatteras Yachts, and Meridian Yachts. In fiscal 2011, we derived approximately 48% of our revenue from the sale of new boats manufactured by Brunswick. We believe that we represented approximately 7% of all of Brunswick's marine product sales during that period. Certain of our dealerships also sell luxury yachts, fishing boats, and pontoon boats provided by other manufacturers, including Italy-based Azimut. During fiscal 2011, new boat sales accounted for 60.6% of our revenue.

We offer recreational boats in most market segments, but have a particular focus on premium quality pleasure boats and yachts as reflected by our fiscal 2011 average new boat sales price of approximately \$126,000, a decrease of approximately 13% from approximately \$145,000 in fiscal 2010, compared with an estimated industry average calendar 2010 selling price of approximately \$35,000 based on industry data published by the National Marine Manufacturers Association. Given our locations in some of the more affluent, offshore boating areas in the United States and emphasis on high levels of customer service, we sell a relatively higher percentage of large recreational boats, such as mega-yachts, yachts, and sport cruisers. We believe that the product lines we offer are among the highest quality within their respective market segments, with well-established trade-name recognition and reputations for quality, performance, and styling.

The following table is illustrative of the range and approximate manufacturer suggested retail price range of new boats that we currently offer, but is not all inclusive.

| Product Line and Trade Name | Overall Length | Manufacturer Suggested       |
|-----------------------------|----------------|------------------------------|
|                             |                | Retail Price Range           |
| <b>Motor Yachts</b>         |                |                              |
| Hatteras Motor Yachts       | 54 to 100 +    | \$3,000,000 to \$10,000,000+ |
| Azimut                      | 38 to 116 +    | 790,000 to 12,000,000+       |
| <b>Convertibles</b>         |                |                              |
| Hatteras Convertibles       | 54 to 77 +     | 2,300,000 to 7,000,000+      |
| Cabo                        | 32 to 52       | 475,000 to 2,000,000+        |
| <b>Pleasure Boats</b>       |                |                              |
| Sea Ray                     | 18 to 61       | 21,000 to 2,500,000          |
| Meridian                    | 34 to 54       | 300,000 to 1,600,000         |
| Bayliner                    | 16 to 33       | 13,000 to 155,000            |
| <b>Fishing Boats</b>        |                |                              |
| Boston Whaler               | 11 to 37       | 8,000 to 400,000             |
| Grady White                 | 18 to 36       | 40,000 to 500,000            |
| <b>Ski Boats</b>            |                |                              |
| Malibu                      | 20 to 25       | 44,000 to 88,000             |
| Axis                        | 20 to 22       | 35,000 to 38,000             |
| Nautique by Correct Craft   | 21 to 25       | 57,000 to 105,000            |

**Motor Yachts.** Hatteras Yachts and Azimut are two of the world's premier yacht builders. The motor yacht product lines typically include state-of-the-art designs with live-aboard luxuries. Hatteras offers a flybridge with extensive guest seating; covered aft deck, which may be fully or partially enclosed, providing the boater with additional living space; an elegant salon; and multiple staterooms for accommodations. Azimut yachts are known for their Americanized open layout with Italian design and powerful performance. The luxurious interiors of Azimut yachts are accented by windows and multiple accommodations that have been designed for comfort.

**Convertibles.** Hatteras Yachts and Cabo Yachts are two of the world's premier convertible yacht builders and offer state-of-the-art designs with live-aboard luxuries. Convertibles are primarily fishing vessels, which are well equipped to meet the needs of even the most serious tournament-class competitor. Hatteras features interiors

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that offer luxurious salon/galley arrangements, multiple staterooms with private heads, and a cockpit that includes a bait and tackle center, fishbox, and freezer. Cabo is known for spacious cockpits and accessibility to essentials, such as bait chests, livewells, bait prep centers, and tackle lockers. Cabo interiors offer elegance, highlighted by teak woodwork, halogen lighting, and ample storage areas.

*Pleasure Boats.* Sea Ray and Meridian pleasure boats target both the luxury and the family recreational boating markets and come in a variety of configurations to suit each customer's particular recreational boating style. Sea Ray sport yachts and yachts serve the luxury segment of the recreational boating market and include top-of-the line living accommodations with a salon, a fully equipped galley, and multiple staterooms. Sea Ray sport yachts and yachts are available in cabin, bridge cockpit, and cruiser models. Sea Ray sport boat and sport cruiser models are designed for performance and dependability to meet family recreational needs and include many of the features and accommodations of Sea Ray's sport yacht and yacht models. Meridian sport yachts and yachts are known for their solid performance and thoughtful use of space with 360-degree views and spacious salon, galley, and stateroom accommodations. Meridian sport yachts and yachts are available in sedan, motoryacht, and pilothouse models. All Sea Ray and Meridian pleasure boats feature custom instrumentation that may include an electronics package; various hull, deck, and cockpit designs that can include a swim platform; bow pulpit and raised bridge; and various amenities, such as swivel bucket helm seats, lounge seats, sun pads, wet bars, built-in ice chests, and refreshment centers. Bayliner sport boat and sport cruiser models are designed for performance and dependability to meet family recreational needs at lower price points. Most Sea Ray, Bayliner, and Meridian pleasure boats feature Mercury or MerCruiser engines.

*Fishing Boats.* The fishing boats we offer, such as Boston Whaler and Grady White, range from entry level models to advanced models designed for fishing and water sports in lakes, bays, and off-shore waters, with cabins with limited live-aboard capability. The fishing boats typically feature livewells, in-deck fishboxes, rodholders, rigging stations, cockpit coaming pads, and fresh and saltwater washdowns.

*Ski Boats.* The ski boats we offer, such as Malibu, Axis, and Nautique by Correct Craft, range from entry level models to advanced models, all of which are designed to achieve an ultimate wake for increased skier and wakeboarder performance and safety. With a variety of designs and options, the ski boats we offer will appeal to the competitor and recreational user alike.

### ***Used Boat Sales***

We sell used versions of the new makes and models we offer and, to a lesser extent, used boats of other makes and models generally taken as trade-ins. During fiscal 2011, used boat sales accounted for 19.0% of our revenue, and 77.1% of the used boats we sold were Brunswick models.

Our used boat sales depend on our ability to source a supply of high-quality used boats at attractive prices. We acquire substantially all of our used boat inventory through customer trade-ins. We intend to continue to increase our used boat business as a result of the availability of quality used boats generated from our new boat sales efforts, the increasing number of used boats that are well-maintained through our service initiatives, including our Premium Certified Pre-Owned Program, our ability to market used boats throughout our combined dealership network to match used boat demand, and the experience of our yacht brokerage operations. Additionally, substantially all of our used boat inventory is posted on our website, which expands the awareness and availability of our products to a large audience of boating enthusiasts. We also sell used boats at various marinas and other offsite locations throughout the country.

To further enhance our used boat sales, we launched a Premium Certified Pre-Owned Program, or PCPO, in fiscal 2008. Generally, PCPO boats are less than four years old, have passed a 150-point inspection, and carry a one year warranty. Additionally, we offer the Sea Ray Legacy warranty plan available for used Sea Ray boats less than six years old. The Legacy plan applies to each qualifying used Sea Ray boat, which has passed a 48-point inspection, and provides protection against failure of most mechanical parts for up to three years. We believe these programs enhance our sales of used Sea Ray boats by motivating purchasers of used Sea Ray boats to complete their purchases through our Sea Ray dealerships.



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We recently established a web-based listing service for individuals and boat dealers to list their used boats for sale. Similar to other web-based listing services, the listings are offered through a tiered pricing strategy ranging from a basic free package to premium packages for a designated period of time. We also help facilitate sales by connecting buyers with independent service providers that offer boat inspections, boat transportation, and boat financing. We generate revenue for boat listings from sellers, lead generation from service providers, and display advertising from service providers.

### ***Marine Engines, Related Marine Equipment, and Boating Parts and Accessories***

We offer marine engines and propellers, substantially all of which are manufactured by Mercury Marine, a division of Brunswick. We sell marine engines and propellers primarily to retail customers as replacements for their existing engines or propellers. Mercury Marine has introduced various new engine models that reduce engine emissions to comply with current Environmental Protection Agency requirements. See Business Environmental and Other Regulatory Issues. An industry leader for almost six decades, Mercury Marine specializes in state-of-the-art marine propulsion systems and accessories. Many of our dealerships have been recognized by Mercury Marine as Premier Service Dealers. This designation is generally awarded based on meeting certain standards and qualifications.

We also sell a broad variety of marine parts and accessories at our retail locations, at various offsite locations, through our print catalog, and through our newly enhanced website portal. These marine parts and accessories include marine electronics; dock and anchoring products, such as boat fenders, lines, and anchors; boat covers; trailer parts; water sport accessories, such as tubes, lines, wakeboards, and skies; engine parts; oils; lubricants; steering and control systems; corrosion control products, service products; high-performance accessories, such as propellers and instruments; and a complete line of boating accessories, including life jackets, inflatables, and water sports equipment. We also offer novelty items, such as shirts, caps, and license plates bearing the manufacturer's or dealer's logos.

Our in-store parts and accessories efforts have been expanded with more products, enhanced displays, and more focused marketing efforts. In order to serve customers in locations where we do not have retail locations, we have embarked upon an aggressive print catalog and web presence, which carry substantially more products than offered at our retail locations and are conducting programs to sell parts and accessories at various offsite locations. In all of our parts and accessories business, we utilize our industry knowledge and experience to offer boating enthusiasts high-quality products with which we have experience.

The sale of marine engines, related marine equipment, and boating parts and accessories accounted for 6.2% of our fiscal 2011 revenue.

### ***Maintenance, Repair, and Storage Services***

Providing customers with professional, prompt maintenance and repair services is critical to our sales efforts and contributes to our success. We provide maintenance and repair services at most of our retail locations, with extended service hours at certain of our locations. In addition, in many of our markets, we provide mobile maintenance and repair services at the location of the customer's boat. We believe that this service commitment is a competitive advantage in the markets in which we compete and is critical to our efforts to provide a trouble-free boating experience. To further this commitment, in certain of our markets, we have opened stand-alone maintenance and repair facilities in locations that are more convenient for our customers and that increase the availability of such services. We also believe that our maintenance and repair services contribute to strong customer relationships and that our emphasis on preventative maintenance and quality service increases the potential supply of well-maintained boats for our used boat sales.

We perform both warranty and non-warranty repair services, with the cost of warranty work reimbursed by the manufacturer in accordance with the manufacturer's warranty reimbursement program. For warranty work, most manufacturers, including Brunswick, reimburse a percentage of the dealer's posted service labor rates, with the percentage varying depending on the dealer's customer satisfaction index rating and attendance at service

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training courses. We derive the majority of our warranty revenue from Brunswick products, as Brunswick products comprise the majority of products sold. Certain other manufacturers reimburse warranty work at a fixed amount per repair. Because boat manufacturers permit warranty work to be performed only at authorized dealerships, we receive substantially all of the warranted maintenance and repair work required for the new boats we sell. The third-party extended warranty contracts we offer also result in an ongoing demand for our maintenance and repair services for the duration of the term of the extended warranty contract.

Our maintenance and repair services are performed by manufacturer-trained and certified service technicians. In charging for our mechanics labor, many of our dealerships use a variable rate structure designed to reflect the difficulty and sophistication of different types of repairs. The percentage markups on parts are similarly based on manufacturer suggested prices and market conditions for different parts.

At many of our locations, we offer boat storage services, including in-water slip storage and inside and outside land storage. These storage services are offered at competitive market rates and include in-season and winter storage.

Maintenance, repair, and storage services accounted for 8.9% of our revenue during fiscal 2011. This includes warranty and non-warranty services.

### ***F&I Products***

At each of our retail locations and at various offsite locations, we offer our customers the ability to finance new or used boat purchases and to purchase extended service contracts and arrange insurance coverage, including boat property, credit life, and accident, disability, and casualty insurance coverage (collectively, F&I ).

We have relationships with various national marine product lenders under which the lenders purchase retail installment contracts evidencing retail sales of boats and other marine products that are originated by us in accordance with existing pre-sale agreements between us and the lenders. These arrangements permit us to receive a portion of the finance charges expected to be earned on the retail installment contract based on a variety of factors, including the credit standing of the buyer, the annual percentage rate of the contract charged to the buyer, and the lender's then current minimum required annual percentage rate charged to the buyer on the contract. This participation is subject to repayment by us if the buyer prepays the contract or defaults within a designated time period, usually 90 to 180 days. To the extent required by applicable state law, our dealerships are licensed to originate and sell retail installment contracts financing the sale of boats and other marine products.

We also offer third-party extended service contracts under which, for a predetermined price, we provide all designated services pursuant to the service contract guidelines during the contract term at no additional charge to the customer above a deductible. While we sell all new boats with the boat manufacturer's standard hull warranty of generally five years and standard engine warranty of generally one year, extended service contracts provide additional coverage beyond the time frame or scope of the manufacturer's warranty. Purchasers of used boats generally are able to purchase an extended service contract, even if the selected boat is no longer covered by the manufacturer's warranty. Generally, we receive a fee for arranging an extended service contract. Most required services under the contracts are provided by us and paid for by the third-party contract holder.

We also are able to assist our customers with the opportunity to purchase credit life insurance, accident and disability insurance, and property and casualty insurance. Credit life insurance policies provide for repayment of the boat financing contract if the purchaser dies while the contract is outstanding. Accident and disability insurance policies provide for payment of the monthly contract obligation during any period in which the buyer is disabled. Property and casualty insurance covers loss or damage to the boat. We do not act as an insurance broker or agent or issue insurance policies on behalf of insurers. We do, however, provide marketing activities and other related services to insurance companies and brokers for which we receive marketing fees. One of our strategies is to generate increased marketing fees by offering more competitive insurance products.

During fiscal 2011, fee income generated from F&I products accounted for 2.7% of our revenue. We believe that our customers' ability to obtain competitive financing quickly and easily at our dealerships complements our ability to sell new and used boats. We also believe our ability to provide customer-tailored financing on a same-

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day basis gives us an advantage over many of our competitors, particularly smaller competitors that lack the resources to arrange boat financing at their dealerships or that do not generate sufficient volume to attract the diversity of financing sources that are available to us.

### ***Brokerage Services***

Through employees or subcontractors that are licensed boat or yacht brokers, we offer boat or yacht brokerage services at most of our retail locations. For a commission, we offer for sale brokered boats or yachts, listing them on various internet sites, advising our other retail locations of their availability through our integrated computer system, and posting them on our web site, *www.MarineMax.com*. Often sales are co-brokered, with the commission split between the buying and selling brokers. We believe that our access to potential used boat customers and methods of listing and advertising customers brokered boats or yachts is more extensive than is typical among brokers. In addition to generating revenue from brokerage commissions, our brokerage services also enable us to offer a broad array of used boats or yachts without increasing related inventory costs. During fiscal 2011, brokerage service commissions accounted for 2.6% of our revenue.

Our brokerage customers generally receive the same high level of customer service as our new and used boat customers. Our waterfront retail locations enable in-water demonstrations of an on-site brokered boat. Our maintenance and repair services, including mobile service, also are generally available to our brokerage customers. The purchaser of a boat brokered through us also can take advantage of MarineMax Getaways! weekend and day trips and other rendezvous gatherings and in-water events, as well as boat operation and safety seminars. We believe that the array of services we offer are unique in the brokerage business.

### ***Inventory Listing***

We have developed and license to independent dealers and brokers a software application under which the dealers and brokers can list their boat inventories for sale, which can then be posted to other websites selected by the dealers and brokers. We charge these dealers and brokers set up and monthly fees.

### ***Yacht Charter***

We recently launched a yacht charter business in which we offer customers the opportunity to charter power and sailing yachts in exotic destinations, starting with our initial location in the British Virgin Islands. This business entails the sale by us of specifically designed yachts to third parties for inclusion in our yacht charter fleet; a yacht management agreement under which yacht owners enable us to put their yachts in our yacht charter program for a period of four to five years for a fixed monthly fee payable by us; our services in storing, insuring, and maintaining their yachts; and the charter by us of these yachts to vacation customers at agreed fees payable to us. The yacht owners will be able to utilize the yachts for personal use for a designated number of weeks during the term of the management agreement and take possession of their yachts following the expiration of the yacht management agreements.

### ***Offsite Sales***

We sell used boats, offer F&I products, and sell parts and accessories at various third-party offsite locations, including marinas.

### ***Rewards Club***

We maintain a Rewards Club for our customers. Our Reward Club offers members discounts on service work we perform as well discounts on parts and accessories that we sell at our retail locations, by print catalog, or online.

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### **Retail Locations**

We sell our recreational boats and other marine products and offer our related boat services through 54 retail locations in Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas. Each retail location generally includes an indoor showroom (including some of the industry's largest indoor boat showrooms) and an outside area for displaying boat inventories, a business office to assist customers in arranging financing and insurance, and maintenance and repair facilities.

Many of our retail locations are waterfront properties on some of the nation's most popular boating locations, including the San Diego Bay in California; Norwalk Harbor in Connecticut; multiple locations on the Intracoastal Waterway, the Atlantic Ocean, Biscayne Bay, Boca Ciega Bay, Naples Bay, Tampa Bay, and the Caloosahatchee River in Florida; Lake Lanier in Georgia; Chesapeake Bay in Maryland; Leech Lake and the St. Croix River in Minnesota; Lake of the Ozarks, and Table Rock Lake in Missouri; Barnegat Bay, Lake Hopatcong, Little Egg Harbor Bay, and the Manasquan River in New Jersey; Great Sound Bay, the Hudson River, and Huntington Harbor in New York; Masonboro Inlet in North Carolina; Lake Erie in Ohio; Grand Lake in Oklahoma; Tennessee River in Tennessee; and Clear Lake, and Lake Lewisville in Texas. Our waterfront retail locations, most of which include marina-type facilities and docks at which we display our boats, are easily accessible to the boating populace, serve as in-water showrooms, and enable the sales force to give customers immediate in-water demonstrations of various boat models. Most of our other locations are in close proximity to water.

### **Operations**

#### ***Dealership Operations and Management***

We have adopted a generally decentralized approach to the operational management of our dealerships. While certain administrative functions are centralized at the corporate level, local management is primarily responsible for the day-to-day operations of the retail locations. Each retail location is managed by a store manager, who oversees the day-to-day operations, personnel, and financial performance of the individual store, subject to the direction of a regional manager, who generally has responsibility for the retail locations within a specified geographic region. Typically, each retail location also has a staff consisting of an F&I manager, a parts manager, and a service manager, sales representatives, maintenance and repair technicians, and various support personnel.

We attempt to attract and retain quality employees at our retail locations by providing them with ongoing training to enhance sales professionalism and product knowledge, career advancement opportunities within a larger company, and favorable benefit packages. We maintain a formal training program, called MarineMax University or MMU, which provides training for employees in all aspects of our operations. Training sessions are held at our various regional locations covering a variety of topics. MMU-online offers various modules over the Internet. Highly trained, professional sales representatives are an important factor to our successful sales efforts. These sales representatives are trained at MMU to recognize the importance of fostering an enjoyable sales process, to educate customers on the operation and use of the boats, and to assist customers in making technical and design decisions in boat purchases. The overall focus of MMU is to teach our core retailing values, which focus on customer service.

Sales representatives receive compensation primarily on a commission basis. Each store manager is a salaried employee with incentive bonuses based on the performance of the managed dealership. Maintenance and repair service managers receive compensation on a salary basis with bonuses based on the performance of their departments. Our management information system provides each store and department manager with daily financial and operational information, enabling them to monitor their performance on a daily, weekly, and monthly basis. We have a uniform, fully integrated management information system serving each of our dealerships.

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### ***Sales and Marketing***

Our sales philosophy focuses on selling the pleasures of the boating lifestyle. We believe that the critical elements of our sales philosophy include our appealing retail locations, no-hassle sales approach, highly trained sales representatives, high level of customer service, emphasis on educating the customer and the customer's family on boat usage, and providing our customers with opportunities for boating. We strive to provide superior customer service and support before, during, and after the sale.

Each retail location offers the customer the opportunity to evaluate a large variety of new and used boats in a comfortable and convenient setting. Our full-service retail locations facilitate a turn-key purchasing process that includes attractive lender financing packages, extended service agreements, and insurance. Many of our retail locations are located on waterfronts and marinas, which attract boating enthusiasts and enable customers to operate various boats prior to making a purchase decision.

We sell our boats at posted MarineMax One Prices that generally represent a discount from the manufacturer's suggested retail price. Our sales approach focuses on customer service by minimizing customer anxiety associated with price negotiation.

As a part of our sales and marketing efforts, we also participate in boat shows and in-the-water sales events at area boating locations, typically held in January and February and toward the end of the boating season, in each of our markets and in certain locations in close proximity to our markets. These shows and events are normally held at convention centers or marinas, with area dealers renting space. Boat shows and other offsite promotions are an important venue for generating sales orders. The boat shows also generate a significant amount of interest in our products resulting in boat sales after the show.

We emphasize customer education through one-on-one education by our sales representatives and, at some locations, our delivery captains, before and after a sale, and through in-house seminars for the entire family on boat safety, the use and operation of boats, and product demonstrations. Typically, one of our delivery captains or the sales representative delivers the customer's boat to an area boating location and thoroughly instructs the customer about the operation of the boat, including hands-on instructions for docking and trailering the boat. To enhance our customer relationships after the sale, we lead and sponsor MarineMax Getaways! group boating trips to various destinations, rendezvous gatherings, and on-the-water organized events that promote the pleasures of the boating lifestyle. Each company-sponsored event, planned and led by a company employee, also provides a favorable medium for acclimating new customers to boating, sharing exciting boating destinations, creating friendships with other boaters, and enabling us to promote actively new product offerings to boating enthusiasts.

As a result of our relative size, we believe we have a competitive advantage within the industry by being able to conduct an organized and systematic advertising and marketing effort. Part of our marketing effort includes an integrated prospect management system that tracks the status of each sales representative's contacts with a prospect, automatically generates follow-up correspondence, facilitates company-wide availability of a particular boat or other marine product desired by a customer, and tracks the maintenance and service needs for the customer's boat.

### ***Suppliers and Inventory Management***

We purchase substantially all of our new boat inventory directly from manufacturers, which allocate new boats to dealerships based on the amount of boats sold by the dealership. We also exchange new boats with other dealers to accommodate customer demand and to balance inventory.

We purchase new boats and other marine-related products from Brunswick, which is the world's largest manufacturer of marine products, including Sea Ray, Boston Whaler, Bayliner, Cabo, Hatteras, Harris, and Meridian. We also purchase new boats and other marine related products from other manufacturers, including Azimut-Benetti Group, Grady White, Tracker Marine, Malibu, and Nautique by Correct Craft. In fiscal 2011, sales of new Brunswick boats accounted for approximately 48% of our revenue. No purchases of new boats and other marine related products from any other manufacturer accounted for more than 10% of our revenue in fiscal 2011. We believe our Sea Ray boat purchases represented approximately 41% of Sea Ray's new boat sales and approximately 7% of all Brunswick marine product sales during fiscal 2011.

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We have entered into multi-year agreements with Brunswick covering Sea Ray, Boston Whaler, Bayliner, Cabo, Hatteras, and Meridian products. We typically deal with each of our manufacturers, other than Brunswick, under an annually renewable, non-exclusive dealer agreement.

The dealer agreements do not restrict our right to sell any product lines or competing products. The terms of each dealer agreement appoints a designated geographical territory for the dealer, which is exclusive to the dealer so long as the dealer is not in breach of the material obligations and performance standards under the agreement and then current material policies and programs following notice and the expiration of any applicable cure periods without cure.

Manufacturers generally establish prices on an annual basis, but may change prices in their sole discretion. Manufacturers typically discount the cost of inventory and offer inventory financing assistance during the manufacturers' slow seasons, generally October through March. To obtain lower cost of inventory, we strive to capitalize on these manufacturer incentives to take product delivery during the manufacturers' slow seasons. This permits us to gain pricing advantages and better product availability during the selling season. Arrangements with certain other manufacturers may restrict our right to offer some product lines in certain markets.

Upon the completion of the Surfside-3 acquisition in March 2006, we became the exclusive dealer for Azimut-Benetti Group's Azimut product line in the Northeast United States. In September 2008, our geographic territory was expanded to include Florida. The Azimut dealer agreement provides a geographic territory to promote the product line and to network with the appropriate clientele through various independent locations designated for Azimut retail sales.

We transfer individual boats among our retail locations to fill customer orders that otherwise might take substantially longer to fill from the manufacturer. This reduces delays in delivery, helps us maximize inventory turnover, and assists in minimizing potential overstock or out-of-stock situations. We actively monitor our inventory levels to maintain levels appropriate to meet current anticipated market demands. We are not bound by contractual agreements governing the amount of inventory that we must purchase in any year from any manufacturer, but the failure to purchase at agreed upon levels may result in the loss of certain manufacturer incentives. We participate in numerous end-of-summer manufacturer boat shows, which manufacturers sponsor to sell off their remaining inventory at reduced costs before the introduction of new model year products, typically beginning in July.

### ***Inventory Financing***

Marine manufacturers customarily provide interest assistance programs to retailers. The interest assistance varies by manufacturer and may include periods of free financing or reduced interest rate programs. The interest assistance may be paid directly to the retailer or the financial institution depending on the arrangements the manufacturer has established. We believe that our financing arrangements with manufacturers are standard within the industry.

We account for consideration received from our vendors in accordance with FASB Accounting Standards Codification 605-50, Revenue Recognition, Customer Payments and Incentives (ASC 605-50). ASC 605-50 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 605-50, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses.

We are party to an Inventory Financing Agreement (the Credit Facility) with GE Commercial Distribution Finance Company, or GECDF. The Credit Facility provides a floor plan financing commitment of up to \$150 million. The Credit Facility matures on June 24, 2014 and is subject to extension for two one-year periods, subject to GECDF approval.

The interest rate for amounts outstanding under the Credit Facility is 383 basis points above the one-month London Inter-Bank Offering Rate. There is an unused line fee of ten basis points on the unused portion of the line.

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The Credit Facility has certain financial covenants. The covenants include provisions that our leverage ratio not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. At September 30, 2011, we were in compliance with all the covenants under the Credit Facility.

The initial advance under the Credit Facility was used to pay off our prior credit facility. Subsequent advances will be initiated by the acquisition of eligible new and used inventory or will be re-advances against eligible new and used inventory that has been partially paid-off. Advances on new inventory will mature 1,081 days from the original invoice date. Advances on used inventory will mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type of inventory and the value of the inventory.

The collateral for the Credit Facility is all of our personal property with certain limited exceptions. None of our real estate has been pledged for collateral for the Credit Facility.

We also are a party to an Inventory Financing Agreement (the CGI Facility) with CGI Finance, Inc. (CGI). The CGI Facility provides a floor plan financing commitment of \$30 million and is designed to provide financing for our Azimut inventory needs. The CGI Facility has a term of approximately one year ending in August 2012, which is typical in the industry for similar floor plan facilities; however, each advance under the CGI Facility can remain outstanding for 18 months. The interest rate for amounts outstanding under the CGI Facility is 350 basis points above the one month London Inter-Bank Offering Rate.

Advances under the CGI Facility will be initiated by the acquisition of eligible new and used inventory or will be re-advances against eligible new and used inventory that has been partially paid-off. Advances on new inventory will mature 550 days from the advance date. Advances on used inventory will mature 366 days from the advance date. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months for used inventory and one year for new inventory. The curtailment schedule varies based on the type of inventory.

The collateral for the CGI Facility is our entire Azimut inventory financed by the CGI Facility with certain limited exceptions. None of our real estate has been pledged for collateral for the CGI Facility. We must maintain compliance with various covenants, including balance sheet related covenants of current and leverage ratios, as defined in the CGI Facility. The CGI Facility contemplates that other lenders may be added by us to finance other inventory not financed under the CGI Facility, if needed.

At September 30, 2011, we owed an aggregate of \$118.8 million under the Credit Facility and the CGI Facility. Outstanding short-term borrowings accrued interest at a rate of 4.0% as of September 30, 2011, and the Credit Facility and the CGI Facility provided us with an additional net borrowing availability of approximately \$53.2 million, based upon the outstanding borrowing base availability. All indebtedness associated with our real estate holdings were repaid during the fiscal year ended September 30, 2009.

***Management Information System***

We believe that our management information system, which currently is being utilized by each of our dealerships and was developed over a number of years through cooperative efforts with a common vendor, enhances our ability to integrate successfully the operations of our dealerships and future acquisitions, facilitates the interchange of information, and enhances cross-selling opportunities throughout our company. The system integrates each level of operations on a company-wide basis, including purchasing, inventory, receivables, financial reporting, budgeting, and sales management. The system enables us to monitor each dealership's operations in order to identify quickly areas requiring additional focus and to manage inventory. The system also provides sales representatives with prospect and customer information that aids them in tracking the status of their contacts with prospects, automatically generates follow-up correspondence to such prospects, facilitates the availability of a particular boat company-wide, locates boats needed to satisfy a particular customer request, and monitors the maintenance and service needs of customers' boats. Company representatives also utilize the system to assist in arranging financing and insurance packages.

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### **Brunswick Agreement Relating to Acquisitions**

We and the Sea Ray Division of Brunswick are parties to an agreement extending through December 2015 that provides a process for the acquisition of additional Sea Ray boat dealers that desire to be acquired by us. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement. Among other things, the agreement provides for us to provide Sea Ray with a business plan for each proposed acquisition, including historical financial and five-year projected financial information regarding the acquisition candidate; marketing and advertising plans; service capabilities and managerial and staff personnel; information regarding the ability of the candidate to achieve performance standards within designated periods; and information regarding the success of our previous acquisitions of Sea Ray dealers. The agreement also contemplates Sea Ray reaching a good faith determination whether the acquisition would be in its best interest based on our dedication and focus of resources on the Sea Ray brand and Sea Ray's consideration of any adverse effects that the approval would have on the resulting territory configuration of adjacent or other dealers and the absence of any violation of applicable laws or rights granted by Sea Ray to others.

### **Dealer Agreements with Brunswick**

Brunswick, through its Sea Ray division, and we, through our dealerships, are parties to Sales and Service Agreements relating to Sea Ray products extending through December 2015. Each of these dealer agreements appoints one of our dealerships as a dealer for the retail sale, display, and servicing of designated Sea Ray products, parts, and accessories currently or in the future sold by Sea Ray. Each dealer agreement designates a designated geographical territory for the dealer, which is exclusive to the dealer as long as the dealer is not in breach of the material obligations and performance standards under the agreement and Sea Ray's then current material policies and programs following notice and the expiration of any applicable cure periods without cure. Each dealer agreement also specifies retail locations, which the dealer may not close, change, or add to without the prior written consent of Sea Ray, provided that Sea Ray may not unreasonably withhold its consent. Each dealer agreement also restricts the dealer from selling, advertising (other than in recognized and established marine publications), soliciting for sale, or offering for resale any Sea Ray products outside its territory without the prior written consent of Sea Ray as long as similar restrictions also apply to all domestic Sea Ray dealers selling comparable Sea Ray products. In addition, each dealer agreement provides for the lowest product prices charged by Sea Ray from time to time to other domestic Sea Ray dealers, subject to the dealer meeting all the requirements and conditions of Sea Ray's applicable programs and the right of Sea Ray in good faith to charge lesser prices to other dealers to meet existing competitive circumstances, for unusual and non-ordinary business circumstances, or for limited duration promotional programs.

Among other things, each dealer agreement requires the dealer to

devote its best efforts to promote, display, advertise, and sell Sea Ray products at each of its retail locations in accordance with the agreement and applicable laws;

display and utilize at each of its retail locations signs, graphics, and image elements with Sea Ray's identification that positively reflect the Sea Ray image and promote the retail sale of Sea Ray products;

purchase and maintain at all times sufficient inventory of current Sea Ray products to meet the reasonable demand of customers at each of its locations and to meet Sea Ray's applicable minimum inventory requirements;

maintain at each retail location, or at another acceptable location, a service department that is properly staffed and equipped to service Sea Ray products promptly and professionally and to maintain parts and supplies to service Sea Ray products properly on a timely basis;

perform all necessary product rigging, installation, and inspection services prior to delivery to purchasers in accordance with Sea Ray's standards and perform post-sale services of all Sea Ray products sold by the dealer and brought to the dealer for service;





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provide or arrange for warranty and service work for Sea Ray products regardless of the selling dealer or condition of sale;

exercise reasonable efforts to address circumstances in which another dealer has made a sale to an original retail purchaser who permanently resides within the dealer's territory where such sale is contrary to the selling dealer's Sales and Service Agreement;

provide appropriate instructions to purchasers on how to obtain warranty and service work from the dealer;

furnish product purchasers with Sea Ray's limited warranty on new products and with information and training as to the safe and proper operation and maintenance of the products;

assist Sea Ray in performing any product defect and recall campaigns;

achieve sales performance in accordance with fair and reasonable standards and sales levels established by Sea Ray in consultation with the dealer based on factors such as population, sales potential, market share percentage of Sea Ray products sold in the territory compared with competitive products sold in the territory, local economic conditions, competition, past sales history, number of retail locations, and other special circumstances that may affect the sale of Sea Ray products or the dealer, in each case consistent with standards established for all domestic Sea Ray dealers selling comparable products;

provide designated financial information that are truthful and accurate;

conduct its business in a manner that preserves and enhances the reputation and goodwill of both Sea Ray and the dealer for providing quality products and services;

maintain the financial ability to purchase and maintain on hand and display Sea Ray's current product models;

maintain customer service ratings in compliance with Sea Ray's criteria;

comply with those dealer's obligations that may be imposed or established by Sea Ray applicable to all domestic Sea Ray dealers;

maintain a financial condition that is adequate to satisfy and perform its obligations under the agreement;

achieve within designated time periods or maintain motor dealer status (which is Sea Ray's highest performance status) or other applicable certification requirements as established from time to time by Sea Ray applicable to all domestic Sea Ray dealers;

notify Sea Ray of the addition or deletion of any retail locations;

sell Sea Ray products only on the basis of Sea Ray's published applicable limited warranty and make no other warranty or representations concerning the limited warranty, expressed or implied, either verbally or in writing;

provide timely warranty service on all Sea Ray products presented to the dealer by purchasers in accordance with Sea Ray's then current warranty program applicable to all domestic Sea Ray dealers selling comparable Sea Ray products; and

provide Sea Ray with access to the dealer's books and records and such other information as Sea Ray may reasonably request to verify the accuracy of the warranty claims submitted to Sea Ray by the dealer with regard to such warranty claims.

Sea Ray has agreed to indemnify each of our dealers against any losses to third parties resulting from Sea Ray's negligent acts or omissions involving the design or manufacture of any of its products or any breach by it of the agreement. Each of our dealers has agreed to indemnify Sea Ray against any losses to third parties resulting from the dealer's negligent acts or omissions involving the dealer's application, use, or repair of Sea Ray products, statements or representation not specifically authorized by Sea Ray, the installation of any after market components or any other modification or alteration of Sea Ray products, and any breach by the dealer of the agreement.

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Each dealer agreement may be terminated

by Sea Ray, upon 60 days prior written notice, if the dealer fails or refuses to place a minimum stocking order of the next model year's products in accordance with requirements applicable to all Sea Ray dealers generally or fails to meet its financial obligations as they become due to Sea Ray or to the dealer's lenders;

by Sea Ray or the dealer, upon 60 days written notice to the other, in the event of a breach or default by the other with any of the of the material obligations, performance standards, covenants, representations, warranties, or duties imposed by the agreement or the Sea Ray manual that has not been cured within 60 days of the notice of the claimed deficiency or within a reasonable period when the cure cannot be completed within a 60-day period, or at the end of the 60-day period without the opportunity to cure when the cause constitutes bad faith;

by Sea Ray or the dealer if the other makes a fraudulent misrepresentation that is material to the agreement or the other engages in an incurable act of bad faith;

by Sea Ray or the dealer in the event of the insolvency, bankruptcy, or receivership of the other;

by Sea Ray in the event of the assignment of the agreement by the dealer without the prior written consent of Sea Ray;

by Sea Ray upon at least 15 days' prior written notice in the event of the failure to pay any sums due and owing to Sea Ray that are not disputed in good faith; and

upon the mutual consent of Sea Ray and the dealer.

## **Employees**

As of September 30, 2011, we had 1,203 employees, 1,138 of whom were in store-level operations and 65 of whom were in corporate administration and management. We are not a party to any collective bargaining agreements. We consider our relations with our employees to be excellent.

## **Trademarks and Service Marks**

We have registered trade names and trademarks with the U.S. Patent and Trademark Office for various names, including MarineMax, MarineMax Getaways, MarineMax Care, Delivering the Dream, MarineMax Delivering the Boating Dream, Newcoast Financial Services, MarineMax Boating Gear Center, and Women on Water. We have registered the name MarineMax in the European Community. We have trade name and trademark applications pending in Canada for various names, including MarineMax, Delivering the Dream, and The Water Gene. There can be no assurance that any of these applications will be granted.

## **Seasonality and Weather Conditions**

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. Over the three-year period ended September 30, 2011, the average revenue for the quarters ended December 31, March 31, June 30, and September 30 represented approximately 19%, 23%, 28%, and 30%, respectively, of our average annual revenues. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories and related short-term borrowings, in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January stimulates boat sales and typically allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year.

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Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, drought conditions (or merely reduced rainfall levels) or excessive rain, may close area boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products. In addition, unseasonably cool weather and prolonged winter conditions may lead to a shorter selling season in certain

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locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as has been the case when Florida and other markets were affected by hurricanes. Although our geographic diversity is likely to reduce the overall impact to us of adverse weather conditions in any one market area, these conditions will continue to represent potential, material adverse risks to us and our future financial performance.

### **Environmental and Other Regulatory Issues**

Our operations are subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. While we believe that we maintain all requisite licenses and permits and are in compliance with all applicable federal, state, and local regulations, there can be no assurance that we will be able to maintain all requisite licenses and permits. The failure to satisfy those and other regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations. The adoption of additional laws, rules, and regulations could also have a material adverse effect on our business. Various federal, state, and local regulatory agencies, including the Occupational Safety and Health Administration, or OSHA, the United States Environmental Protection Agency, or EPA, and similar federal and local agencies, have jurisdiction over the operation of our dealerships, repair facilities, and other operations with respect to matters such as consumer protection, workers' safety, and laws regarding protection of the environment, including air, water, and soil.

The EPA has various air emissions regulations for outboard marine engines that impose more strict emissions standards for two-cycle, gasoline outboard marine engines. The majority of the outboard marine engines we sell are manufactured by Mercury Marine. Mercury Marine's product line of low-emission engines, including the OptiMax, Verado, and other four-stroke outboards, have achieved the EPA's mandated 2006 emission levels. Any increased costs of producing engines resulting from EPA standards, or the inability of our manufacturers to comply with EPA requirements, could have a material adverse effect on our business.

Certain of our facilities own and operate underground storage tanks, or USTs, for the storage of various petroleum products. The USTs are generally subject to federal, state, and local laws and regulations that require testing and upgrading of USTs and remediation of contaminated soils and groundwater resulting from leaking USTs. In addition, if leakage from company-owned or operated USTs migrates onto the property of others, we may be subject to civil liability to third parties for remediation costs or other damages. Based on historical experience, we believe that our liabilities associated with UST testing, upgrades, and remediation are unlikely to have a material adverse effect on our financial condition or operating results.

As with boat dealerships generally, and parts and service operations in particular, our business involves the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials, such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline, and diesel fuels.

Accordingly, we are subject to regulation by federal, state, and local authorities establishing requirements for the use, management, handling, and disposal of these materials and health and environmental quality standards, and liability related thereto, and providing penalties for violations of those standards. We are also subject to laws, ordinances, and regulations governing investigation and remediation of contamination at facilities we operate to which we send hazardous or toxic substances or wastes for treatment, recycling, or disposal.

We do not believe we have any material environmental liabilities or that compliance with environmental laws, ordinances, and regulations will, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations. However, soil and groundwater contamination has been known to exist at certain properties owned or leased by us. We have also been required and may in the future be required to remove aboveground and underground storage tanks containing hazardous substances or wastes. As to certain of our properties, specific releases of petroleum have been or are in the process of being remedied in accordance with state and federal guidelines. We are monitoring the soil and groundwater as required by applicable state and federal guidelines. In addition, the shareholders of the acquired dealers have indemnified us for

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specific environmental issues identified on environmental site assessments performed by us as part of the acquisitions. We maintain insurance for pollutant cleanup and removal. The coverage pays for the expenses to extract pollutants from land or water at the insured property, if the discharge, dispersal, seepage, migration, release, or escape of the pollutants is caused by or results from a covered cause of loss. We also have additional storage tank liability insurance and Superfund coverage where applicable. In addition, certain of our retail locations are located on waterways that are subject to federal or state laws regulating navigable waters (including oil pollution prevention), fish and wildlife, and other matters.

Two of the properties we own were historically used as gasoline service stations. Remedial action with respect to prior historical site activities on these properties has been completed in accordance with federal and state law. Also, one of our properties is within the boundaries of a Superfund site, although neither property has been nor is expected to be identified as a contributor to the contamination in the area. We, however, do not believe that these environmental issues will result in any material liabilities to us.

Additionally, certain states have required or are considering requiring a license in order to operate a recreational boat. While such licensing requirements are not expected to be unduly restrictive, regulations may discourage potential first-time buyers, thereby limiting future sales, which could adversely affect our business, financial condition, and results of operations.

## **Product Liability**

The products we sell or service may expose us to potential liabilities for personal injury or property damage claims relating to the use of those products. Historically, the resolution of product liability claims has not materially affected our business. Our manufacturers generally maintain product liability insurance, and we maintain third-party product liability insurance, which we believe to be adequate. However, we may experience legal claims in excess of our insurance coverage, and those claims may not be covered by insurance. Furthermore, any significant claims against us could adversely affect our business, financial condition, and results of operations and result in negative publicity. Excessive insurance claims also could result in increased insurance premiums.

## **Competition**

We operate in a highly competitive environment. In addition to facing competition generally from recreation businesses seeking to attract consumers' leisure time and discretionary spending dollars, the recreational boat industry itself is highly fragmented, resulting in intense competition for customers, quality products, boat show space, and suitable retail locations. We rely to a certain extent on boat shows to generate sales. Our inability to participate in boat shows in our existing or targeted markets could have a material adverse effect on our business, financial condition, and results of operations.

We compete primarily with single-location boat dealers and, with respect to sales of marine equipment, parts, and accessories, with national specialty marine stores, catalog retailers, sporting goods stores, and mass merchants. Competition among boat dealers is based on the quality of available products, the price and value of the products, and attention to customer service. There is significant competition both within markets we currently serve and in new markets that we may enter. We compete in each of our markets with retailers of brands of boats and engines we do not sell in that market. In addition, several of our competitors, especially those selling boating accessories, are large national or regional chains that have substantial financial, marketing, and other resources. However, we believe that our integrated corporate infrastructure and marketing and sales capabilities, our cost structure, and our nationwide presence enable us to compete effectively against these companies. Private sales of used boats represent an additional significant source of competition.

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The following table sets forth information concerning each of our executive officers:

| <b>Name</b>           | <b>Age</b> | <b>Position</b>  |
|-----------------------|------------|--|
| William H. McGill Jr. | 67         | Chairman of the Board, President, Chief Executive Officer, and Director    |
| Michael H. McLamb     | 46         | Executive Vice President, Chief Financial Officer, Secretary, and Director |
| Edward A. Russell     | 51         | Executive Vice President and Chief Operating Officer                       |
| Kurt M. Frahn         | 43         | Vice President of Finance, Chief Accounting Officer and Treasurer          |
| Paulee C. Day         | 42         | Vice President, General Counsel, and Assistant Secretary                   |

*William H. McGill Jr.* has served as the Chief Executive Officer of MarineMax since January 23, 1998 and as the Chairman of the Board and as a director of our company since March 6, 1998. Mr. McGill served as the President of our company from January 23, 1988 until September 8, 2000 and re-assumed the position on July 1, 2002. Mr. McGill was the principal owner and president of Gulfwind USA, Inc., one of our operating subsidiaries, from 1973 until its merger with us.

*Michael H. McLamb* has served as Executive Vice President of our company since October 2002, as Chief Financial Officer since January 23, 1998, as Secretary since April 5, 1998, and as a director since November 1, 2003. Mr. McLamb served as Vice President and Treasurer of our company from January 23, 1998 until October 22, 2002. Mr. McLamb, a certified public accountant, was employed by Arthur Andersen LLP from December 1987 to December 1997, serving most recently as a senior manager.

*Edward A. Russell* has served as Executive Vice President and Chief Operating Officer of our company since February 2010. Mr. Russell served as Executive Vice President of Operations and Sales of our company from February 2008 until February 2010. Mr. Russell served as Vice President of Operations of our company from March 2006 until February 2008, and as a Vice President of our company from October 22, 2002 until March 2006. Mr. Russell served as the Regional Manager of our Florida operations from August 1, 2002 until October 22, 2002 and as the District President for our Central and West Florida operations from March 1998 until August 1, 2002. Mr. Russell was an owner and General Sales Manager of Gulfwind USA Inc., one of our operating subsidiaries, now called MarineMax of Central Florida, from 1984 until its merger with our company in March 1998.

*Kurt M. Frahn* has served as Vice President of Finance and Treasurer of our company since October 22, 2002 and as Chief Accounting Officer since June 10, 2011. Mr. Frahn served as Director of Taxes and Acquisitions of our company from May 15, 1998 until October 22, 2002. Mr. Frahn was employed by Arthur Andersen LLP from September 3, 1991 until May 15, 1998, serving most recently as a tax consulting manager.

*Paulee C. Day* has served as Vice President of our company since February 2009 and as General Counsel and Assistant Secretary since January 2003. Ms. Day, an active member of the Florida Bar, was employed by Maxxim Medical from May 1999 to November 2002, serving as Vice President, General Counsel, and Secretary. Prior to that time, Ms. Day was Corporate Attorney at Eckerd Corporation from June 1997 through May 1999 and a corporate attorney at the law firm Trenam, Kemker, Scharf, Barkin, Frye, O'Neill and Mullis, P.A. from January 1995 through June 1997.



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***General economic conditions and consumer spending patterns can negatively impact our operating results, and the severe recession that began in late 2007 has adversely affected the boating industry and our company.***

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated 45%, 54%, and 50% of our revenue during fiscal 2009, 2010, and 2011, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, and inclement weather, also could adversely affect our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. Although we have expanded our operations during periods of stagnant or modestly declining industry trends, the cyclical nature of the recreational boating industry or the lack of industry growth could adversely affect our business, financial condition, or results of operations in the future. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

Lower consumer spending resulting from a downturn in the housing market and other economic factors adversely affected our business in fiscal 2007 and continued weakness in consumer spending resulting from substantial weakness in the financial markets and deteriorating economic conditions had a very substantial negative effect on our business in fiscal 2008, 2009, 2010, and 2011. Our revenue decreased from \$1.2 billion in fiscal 2007, to \$885.4 million in fiscal 2008, to \$588.6 million in fiscal 2009, to \$450.3 million in fiscal 2010, and increased slightly to \$480.9 million in fiscal 2011. Our earnings decreased from a net income of \$20.1 million in fiscal 2007 to a net loss of \$134.3 million in fiscal 2008 (including a \$122.1 million goodwill impairment charge), a net loss of \$76.8 million in fiscal 2009, net income of \$2.5 million in fiscal 2010 (including a \$19.2 million tax refund), and a net loss of \$11.5 million in fiscal 2011. These substantially deteriorating economic and financial conditions have had a greater impact on many other participants in the boating industry, with certain manufacturers and dealers ceasing business operations or filing for bankruptcy. While the reduction in boating industry participants might have a long-term positive impact on our company's competitive position, we are facing and expect to continue to face short-term competitive pressure resulting from decreased selling prices as a result of forced sales and other liquidations of excess inventory.

These conditions caused us to defer our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close a number of our retail locations, reduce our headcount, and amend and replace our credit facility. While we believe the steps we have taken to date will enable us to emerge from the current economic environment as a stronger and more profitable company, we cannot predict the length or severity of these unfavorable economic or financial conditions or the extent to which they will adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary. A continuation of depressed economic factors could have additional negative effects on our company, including interfering with our supply of certain brands by manufacturers, reduced marketing and other support by manufacturers, decreased revenue, additional pressures on margins, and our failure to satisfy covenants under our credit agreement.

***The availability and costs of borrowed funds can adversely affect our ability to obtain adequate boat inventory and the ability and willingness of our customers to finance boat purchases.***

The availability and costs of borrowed funds can adversely affect our ability to obtain and maintain adequate boat inventory and the holding costs of that inventory as well as the ability and willingness of our customers to finance boat purchases. As of September 30, 2011, we had no long-term debt. We rely on our credit facilities to purchase and maintain our inventory of boats. Our ability to borrow under our credit facilities

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depends on our ability to continue to satisfy our covenants and other obligations under our credit facilities. The aging of our inventory limits our borrowing capacity as defined provisions in our credit facilities reduce the allowable advance rate as our inventory ages. Our access to funds under our credit facilities also depends upon the ability of our lenders, GECDF and CGI, to meet their funding commitments, particularly if they experience shortages of capital or experience excessive volumes of borrowing requests from others during a short period of time. A continuation of depressed economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties could interfere with our ability to maintain compliance with our debt covenants and to utilize our credit facilities to fund our operations. Accordingly, it may be necessary for us to close additional stores, further reduce our expense structure, or modify the covenants with our lenders. Any inability to utilize our credit facilities or the acceleration of amounts owed, resulting from a covenant violation, insufficient collateral, or lender difficulties, could require us to seek other sources of funding to repay amounts outstanding under our credit facilities or replace or supplement our credit facilities, which may not be possible at all or under commercially reasonable terms.

Our Credit Facility with GECDF provides a floor plan financing commitment of \$150 million, and the CGI Facility provides a floor plan financing commitment of \$30 million. The collateral for our Credit Facility with GECDF is all of our personal property with certain limited exceptions, and our collateral for the CGI Facility is our entire Azimut inventory financed by the CGI Facility with certain limited exceptions. None of our real estate has been pledged as collateral under either facility. As of September 30, 2011, we were in compliance with all of the Credit Facility covenants and our additional available borrowings under our credit facilities were approximately \$53.2 million based upon the outstanding borrowing base availability.

Similarly, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of our customers to purchase boats from us and thereby adversely affects our ability to sell our products and impacts the profitability of our finance and insurance activities. Tight credit conditions during fiscal 2008, fiscal 2009, fiscal 2010, and fiscal 2011 adversely affected the ability of customers to finance boat purchases, which had a negative affect on our operating results.

***Our strategies to enhance our performance may not be successful.***

We are increasing our efforts to grow our financing and insurance, parts and accessory, service, yacht charter, and boat storage businesses to better serve our customers and thereby increase revenue and improve profitability to these higher margin businesses. In addition, we have implemented aggressive programs to substantially increase the sale over the Internet of used boats, parts, accessories, and a wide range of boating supplies and products. These efforts and programs are designed to increase our revenue and reduce our dependence on the sale of new boats. These business initiatives will require us to add personnel, enter businesses in which we do not have extensive experience, and encounter substantial competition. As a result, our strategies to enhance our performance may not be successful and we may increase our expenses.

***Our success depends to a significant extent on the well being, as well as the continued popularity and reputation for quality of the boating products, of our manufacturers, particularly Brunswick's Sea Ray, Boston Whaler, Cabo, Hatteras, and Meridian boat lines and Azimut-Benetti Group's Azimut products.***

Approximately 48% of our revenue in fiscal 2011 resulted from sales of new boats manufactured by Brunswick, including approximately 32% from Brunswick's Sea Ray division and approximately 16% from Brunswick's other divisions. The remainder of our fiscal 2011 revenue from new boat sales resulted from sales of products from a limited number of other manufacturers, none of which accounted for more than 10% of our revenue.

We depend on our manufacturers to provide us with products that compare favorably with competing products in terms of quality, performance, safety, and advanced features, including the latest advances in propulsion and navigation systems. Any adverse change in the production efficiency, product development efforts, technological advancement, marketplace acceptance, marketing capabilities, and financial condition of our manufacturers, particularly Brunswick given our reliance on Sea Ray, Cabo, Bayliner, Boston Whaler, Hatteras, and Meridian, would have a substantial adverse impact on our business. Any difficulties encountered by any of our manufacturers,

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particularly Brunswick, resulting from economic, financial, or other factors could adversely affect the quality and amount of products that they are able to supply to us and the services and support they provide to us.

The interruption or discontinuance of the operations of Brunswick or other manufacturers could cause us to experience shortfalls, disruptions, or delays with respect to needed inventory. Although we believe that adequate alternate sources would be available that could replace any manufacturer other than Brunswick as a product source, those alternate sources may not be available at the time of any interruption, and alternative products may not be available at comparable quality and prices.

We maintain dealer agreements with Brunswick covering Sea Ray products. Each dealer agreement has a multi-year term and provides for the lowest product prices charged by the Sea Ray division of Brunswick from time to time to other domestic Sea Ray dealers. These terms are subject to

the dealer meeting all the requirements and conditions of Sea Ray's applicable programs; and

the right of Brunswick in good faith to charge lesser prices to other dealers

to meet existing competitive circumstances;

for unusual and non-ordinary business circumstances; or

for limited duration promotional programs.

Each dealer agreement designates a specific geographical territory for the dealer, which is exclusive to the dealer so long as the dealer is not in breach of the material obligations and performance standards under the agreement and Sea Ray's then current material policies and programs following notice and the expiration of any applicable cure periods without cure.

We also maintain dealer agreements with Hatteras covering Hatteras products. Each agreement allows Hatteras to revise prices at any time, and such new prices will supersede previous prices. Pursuant to the agreements, we must bear any losses we incur as a result of such price changes and may not recover from Hatteras for any losses. In addition, certain of our dealerships may not represent manufacturers or product lines that compete directly with Hatteras without its prior written consent.

Upon the completion of the Surfside-3 acquisition in March 2006, we became the exclusive dealer for Azimut-Benetti Group's Azimut product line for the Northeast United States. In September 2008, our geographic territory was expanded to include Florida. The Azimut dealer agreement provides a geographic territory to promote the product line and to network with the appropriate clientele through various independent locations designated for Azimut retail sales.

As is typical in the industry, we generally deal with manufacturers, other than the Sea Ray division of Brunswick, under renewable annual dealer agreements. These agreements do not contain any contractual provisions concerning product pricing or required purchasing levels. Pricing is generally established on a model year basis, but is subject to change in the manufacturer's sole discretion. Any change or termination of these arrangements for any reason could adversely affect product availability and cost and our financial performance.

### ***Boat manufacturers exercise substantial control over our business.***

We depend on our dealer agreements. Through dealer agreements, boat manufacturers, including Brunswick, exercise significant control over their dealers, restrict them to specified locations, and retain approval rights over changes in management and ownership, among other things. The continuation of our dealer agreements with most manufacturers, including Brunswick, depends upon, among other things, our achieving stated goals for customer satisfaction ratings and market share penetration in the market served by the applicable dealership. Failure to meet the customer satisfaction, market share goals, and other conditions set forth in any dealer agreement could have various consequences, including the following:

the termination of the dealer agreement;

the imposition of additional conditions in subsequent dealer agreements;

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limitations on boat inventory allocations;

reductions in reimbursement rates for warranty work performed by the dealer;

loss of certain manufacturer to dealer incentives; or

denial of approval of future acquisitions.

Our dealer agreements with certain manufacturers, including Brunswick, do not give us the exclusive right to sell those manufacturers' products within a given geographical area. Accordingly, a manufacturer, including Brunswick, could authorize another dealer to start a new dealership in proximity to one or more of our locations, or an existing dealer could move a dealership to a location that would be directly competitive with us. These events could have a material adverse effect on our competitive position and financial performance.

### ***The failure to receive rebates and other dealer incentives on inventory purchases or retail sales could substantially reduce our margins.***

We rely on manufacturers' programs that provide incentives for dealers to purchase and sell particular boat makes and models or for consumers to buy particular boat makes or models. Any eliminations, reductions, limitations, or other changes relating to rebate or incentive programs that have the effect of reducing the benefits we receive, whether relating to the ability of manufacturers to pay or our ability to qualify for such incentive programs, could increase the effective cost of our boat purchases, reduce our margins and competitive position, and have a material adverse effect on our financial performance.

### ***Fuel prices and supply may affect our business.***

All of the recreational boats we sell are powered by diesel or gasoline engines. Consequently, an interruption in the supply, or a significant increase in the price or tax on the sale of fuel on a regional or national basis could have a material adverse effect on our sales and operating results. Increases in fuel prices (such as those that occurred during fiscal 2008) negatively impact boat sales. At various times in the past, diesel or gasoline fuel has been difficult to obtain. The supply of fuels may be interrupted, rationing may be imposed, or the price of or tax on fuels may significantly increase in the future, adversely impacting our business.

### ***The availability of boat insurance is critical to our success.***

The ability of our customers to secure reasonably affordable boat insurance that is satisfactory to lenders that finance our customers' purchases is critical to our success. Historically, affordable boat insurance has been available. With the hurricanes that have impacted the state of Florida and other markets over the past several years, insurance rates have escalated and insurance coverage has become more difficult to obtain. In addition, as a severe storm approaches land, insurance providers cease underwriting until the storm has passed. This loss of insurance prevents lenders from lending. As a result, sales of boats can be temporarily halted making our revenue difficult to predict and potentially causing sales to be cancelled. Any difficulty of customers to obtain affordable boat insurance could impede boat sales and adversely affect our business.

### ***Other recreational activities and poor industry perception can adversely affect the levels of boat purchases.***

Other recreational activities and poor industry perception can adversely affect the levels of boat purchases. As a seller of high-end consumer products, we must compete for discretionary spending with a wide variety of other recreational activities and consumer purchases. In addition, perceived hassles of boat ownership and relatively poor customer service and customer education throughout the retail boat industry represent impediments to boat purchases. Our customer-centric strategy is intended to overcome these perceptions.

### ***Adverse federal tax policies can have a negative effect on us.***

Changes in federal and state tax laws, such as an imposition of luxury taxes on new boat purchases, increases in prevailing tax rates, and removal of certain interest deductions, also influence consumers' decisions to purchase products we offer and could have a negative effect on our sales. For example, during 1991 and 1992,



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the federal government imposed a luxury tax on new recreational boats with sales prices in excess of \$100,000, which coincided with a sharp decline in boating industry sales from a high of more than \$17.9 billion in 1988 to a low of \$10.3 billion in 1992. Any increase in tax rates, including those on capital gains and dividends, particularly those on high-income taxpayers, could adversely affect our boat sales.

*The expansion and success of our on-line businesses depends on our ability to provide quality service to our Internet customers, and our future growth will be negatively impacted if we are not able to provide such services.*

Our on-line businesses are subject to a number of risks and uncertainties that are beyond our control, including the following:

changes in technology;

changes in consumer willingness to purchase products via the Internet, including increases in consumer privacy concerns relating to the Internet;

breaches of Internet security;

increases in software filters that may inhibit our ability to market our products and services over the Internet;

changes in applicable federal and state regulation, such as the Federal Trade Commission Act, the Fair Credit Reporting Act, and the Gramm-Leach-Bliley Act and similar types of international laws;

failure of our Internet service providers to perform their services properly and in a timely and efficient manner;

failures in our infrastructure or by third parties, such as telephone or electric power service, resulting in website downtime or other problems;

failure by us to process on-line customer orders accurately and timely, which may negatively impact both future on-line and in-store purchases by such customers;

inability of our suppliers to provide warehousing and fulfillment services, which may negatively impact future on-line purchases by customers;

our failure to assess and evaluate our suppliers to ensure that we offer products that are desired by boating enthusiasts;

the potential exposure to liability with respect to third-party information, including copyright or trademark infringement or other wrongful acts of third parties; false or erroneous information provided by third parties; or illegal activities by third parties, such as the sale of stolen boats or other goods; and

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changing laws, rules, and regulations, such as the imposition of taxes, that could affect the desire of consumers to purchase goods over the Internet.

If we are not able to provide satisfactory service to our Internet customers, our future growth will be adversely affected. Further, we may also be vulnerable to competitive pressures from the growing e-commerce activity in our market, both as they may impact our own on-line business, and as they may impact the operating results and investment values of our existing physical locations.

***Our recently launched yacht charter business exposes us to certain risks.***

Our recently launched yacht charter business entails the sale by us of specifically designed yachts to third parties for inclusion in our yacht charter fleet; a yacht management agreement under which yacht owners enable us to put their yachts in our yacht charter program for a period of four to five years for a fixed monthly fee payable by us; our services in storing, insuring, and maintaining their yachts; and the charter by us of these yachts to



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vacation customers at agreed fees payable to us. Our failure to find purchasers for yachts intended for our charter fleet will increase our boat inventory and related operating costs; and our failure to generate a sufficient number of vacation charter customers will require us to absorb all the costs of the monthly fees to the yacht owners as well as other operating costs.

Customers consider safety and reliability a primary concern in selecting a yacht charter provider. Yacht charter may present a number of safety risks, including catastrophic disaster, adverse weather and marine conditions, mechanical failure and collision. If we are unable to maintain acceptable records for safety and reliability, our ability to retain current customers and attract new customers may be adversely affected. Additionally, any safety issue encountered during a yacht charter may result in claims against us as well as negative publicity. These events could have a material adverse effect on the competitive position and financial performance of our core boat sales business.

The yacht charter business is also highly fragmented, consisting primarily of local operators and franchisees. Competition among charter operators is based on location, the type and size of yachts offered, charter rates, destinations serviced and attention to customer service. Yacht charters also face competition from other travel and leisure options, including, but not limited to, cruises, hotels, resorts, theme parks, organized tours, land-based casino operators and vacation ownership properties. We therefore risk losing business not only to other charter operators, but also to vacation operators that provide such alternatives.

***Our success depends, in part, on our ability to continue to make successful acquisitions and to integrate the operations of acquired dealers and each dealer we acquire in the future.***

Since March 1, 1998, we have acquired 21 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair facilities. Each acquired dealer operated independently prior to its acquisition by us. Our success depends, in part, on our ability to continue to make successful acquisitions and to integrate the operations of acquired dealers, including centralizing certain functions to achieve cost savings and pursuing programs and processes that promote cooperation and the sharing of opportunities and resources among our dealerships. We may not be able to oversee the combined entity efficiently or to implement effectively our growth and operating strategies. To the extent that we successfully pursue our acquisition strategy, our resulting growth will place significant additional demands on our management and infrastructure. Our failure to pursue successfully our acquisition strategies or operate effectively the combined entity could have a material adverse effect on our rate of growth and operating performance.

***Unforeseen expenses, difficulties, and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our profitability.***

Our growth strategy of acquiring additional recreational boat dealers involves significant risks. This strategy entails reviewing and potentially reorganizing acquired business operations, corporate infrastructure and systems, and financial controls. Unforeseen expenses, difficulties, and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our profitability. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Acquisitions also may become more difficult in the future as we acquire more of the most attractive dealers. In addition, we may encounter difficulties in integrating the operations of acquired dealers with our own operations or managing acquired dealers profitably without substantial costs, delays, or other operational or financial problems.

We may issue common or preferred stock and incur substantial indebtedness in making future acquisitions. The size, timing, and integration of any future acquisitions may cause substantial fluctuations in operating results from quarter to quarter. Consequently, operating results for any quarter may not be indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year. These fluctuations could adversely affect the market price of our common stock.

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Our ability to continue to grow through the acquisition of additional dealers will depend upon various factors, including the following:

the availability of suitable acquisition candidates at attractive purchase prices;

the ability to compete effectively for available acquisition opportunities;

the availability of borrowed funds or common stock with a sufficient market price to complete the acquisitions;

the ability to obtain any requisite manufacturer or governmental approvals;

the ability to obtain approval of our lender under our current credit agreement; and

the absence of one or more manufacturers attempting to impose unsatisfactory restrictions on us in connection with their approval of acquisitions.

As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. In connection with these discussions, we and each potential acquisition candidate exchange confidential operational and financial information, conduct due diligence inquiries, and consider the structure, terms, and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time, grants us an option to purchase the prospective dealer for a designated price during a specific time, and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information and converting its accounting system to the system specified by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated.

***We may be required to obtain the consent of Brunswick and various other manufacturers prior to the acquisition of other dealers.***

In determining whether to approve acquisitions, manufacturers may consider many factors, including our financial condition and ownership structure. Manufacturers also may impose conditions on granting their approvals for acquisitions, including a limitation on the number of their dealers that we may acquire. Our ability to meet manufacturers' requirements for approving future acquisitions will have a direct bearing on our ability to complete acquisitions and effect our growth strategy. There can be no assurance that a manufacturer will not terminate its dealer agreement, refuse to renew its dealer agreement, refuse to approve future acquisitions, or take other action that could have a material adverse effect on our acquisition program.

We and the Sea Ray Division of Brunswick have an agreement extending through June 2015 that provides a process for the acquisition of additional Sea Ray boat dealers that desire to be acquired by us. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement. Among other things, the agreement requires us to provide Sea Ray with a business plan for each proposed acquisition, including historical financial and five-year projected financial information regarding the acquisition candidate; marketing and advertising plans; service capabilities and managerial and staff personnel; information regarding the ability of the candidate to achieve performance standards within designated periods; and information regarding the success of our previous acquisitions of Sea Ray dealers. The agreement also contemplates Sea Ray reaching a good faith determination whether the acquisition would be in its best interest based on our dedication and focus of resources on the Sea Ray brand and Sea Ray's consideration of any adverse effects that the approval would have on the resulting territory configuration and adjacent or other dealers sales and the absence of any violation of applicable laws or rights granted by Sea Ray to others.



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Our growth strategy also entails expanding our product lines and geographic scope by obtaining additional distribution rights from our existing and new manufacturers. We may not be able to secure additional distribution rights or obtain suitable alternative sources of supply if we are unable to obtain such distribution rights. The inability to expand our product lines and geographic scope by obtaining additional distribution rights could have a material adverse effect on the growth and profitability of our business.

*Our growth strategy may require us to secure significant additional capital, the amount of which will depend upon the size, timing, and structure of future acquisitions and our working capital and general corporate needs.*

If we finance future acquisitions in whole or in part through the issuance of common stock or securities convertible into or exercisable for common stock, existing stockholders will experience dilution in the voting power of their common stock and earnings per share could be negatively impacted. The extent to which we will be able and willing to use our common stock for acquisitions will depend on the market value of our common stock and the willingness of potential sellers to accept our common stock as full or partial consideration. Our inability to use our common stock as consideration, to generate cash from operations, or to obtain additional funding through debt or equity financings in order to pursue our acquisition program could materially limit our growth.

Any borrowings made to finance future acquisitions or for operations could make us more vulnerable to a downturn in our operating results, a downturn in economic conditions, or increases in interest rates on borrowings that are subject to interest rate fluctuations. If our cash flow from operations is insufficient to meet our debt service requirements, we could be required to sell additional equity securities, refinance our obligations, or dispose of assets in order to meet our debt service requirements. In addition, our credit arrangements contain financial covenants and other restrictions with which we must comply, including limitations on the incurrence of additional indebtedness. Adequate financing may not be available if and when we need it or may not be available on terms acceptable to us. The failure to obtain sufficient financing on favorable terms and conditions could have a material adverse effect on our growth prospects and our business, financial condition, and results of operations.

*Our internal growth and operating strategies of opening new locations and offering new products involve risk.*

In addition to pursuing growth by acquiring boat dealers, we intend to continue to pursue a strategy of growth through opening new retail locations and offering new products in our existing and new territories. Accomplishing these goals for expansion will depend upon a number of factors, including the following:

our ability to identify new markets in which we can obtain distribution rights to sell our existing or additional product lines;

our ability to lease or construct suitable facilities at a reasonable cost in existing or new markets;

our ability to hire, train, and retain qualified personnel;

the timely integration of new retail locations into existing operations;

our ability to achieve adequate market penetration at favorable operating margins without the acquisition of existing dealers; and

our financial resources.

Our dealer agreements with Brunswick require Brunswick's consent to open, close, or change retail locations that sell Sea Ray products, and other dealer agreements generally contain similar provisions. We may not be able to open and operate new retail locations or introduce new product lines on a timely or profitable basis. Moreover, the costs associated with opening new retail locations or introducing new product lines may adversely affect our profitability.



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As a result of these growth strategies, we expect to expend significant time and effort in opening and acquiring new retail locations and introducing new products. Our systems, procedures, controls, and financial resources may not be adequate to support expanding operations. The inability to manage our growth effectively could have a material adverse effect on our business, financial condition, and results of operations.

Our planned growth also will impose significant added responsibilities on members of senior management and require us to identify, recruit, and integrate additional senior level managers. We may not be able to identify, hire, or train suitable additions to management.

***Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. In addition, weather and environmental conditions may adversely impact our business.***

During the three-year period ended September 30, 2011, the average revenue for the quarterly periods ended December 31, March 31, June 30, and September 30 represented 19%, 23%, 28%, and 30%, respectively, of our average annual revenue. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories and related short-term borrowings in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January stimulates boat sales and allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year. Our business could become substantially more seasonal as we acquire dealers that operate in colder regions of the United States.

Weather and environmental conditions may adversely impact our operating results. For example, drought conditions, reduced rainfall levels, excessive rain and environmental conditions, such as the BP oil spill in the Gulf of Mexico, may force boating areas to close or render boating dangerous or inconvenient, thereby curtailing customer demand for our products. While we traditionally maintain a full range of insurance coverage for any such events, there can be no assurance that such insurance coverage is adequate to cover losses that we sustain as a result of such disasters. In addition, unseasonably cool weather and prolonged winter conditions may lead to shorter selling seasons in certain locations. Many of our dealerships sell boats to customers for use on reservoirs, thereby subjecting our business to the continued viability of these reservoirs for boating use. Although our geographic diversity and any future geographic expansion will reduce the overall impact on us of adverse weather and environmental conditions in any one market area, weather and environmental conditions will continue to represent potential material adverse risks to us and our future operating performance. As a result of the foregoing and other factors, our operating results in some future quarters could be below the expectations of stock market analysts and investors.

In addition, hurricanes and other storms could result in the disruption of our operations or damage to our boat inventories and facilities as has been the case when Florida and other markets has been affected by hurricanes. While we traditionally maintain property and casualty insurance coverage for damage caused by hurricanes and other storms, there can be no assurance that such insurance coverage is adequate to cover losses that we may sustain as a result of hurricanes and other storms.

### ***We face intense competition.***

We operate in a highly competitive environment. In addition to facing competition generally from non-boating recreation businesses seeking to attract discretionary spending dollars, the recreational boat industry itself is highly fragmented and involves intense competition for customers, product distribution rights, and suitable retail locations, particularly on or near waterways. Competition increases during periods of stagnant industry growth. During the recent recession, we have also faced competition from banks liquidating repossessed boats.

We compete primarily with single-location boat dealers and, with respect to sales of marine parts, accessories, and equipment, with national specialty marine parts and accessories stores, catalog retailers, sporting goods stores, and mass merchants. Competition among boat dealers is based on the quality of available products, the price and value of the products, and attention to customer service. There is significant competition both within markets we currently serve and in new markets that we may enter. We compete in each of our markets with

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retailers of brands of boats and engines we do not sell in that market. In addition, several of our competitors, especially those selling marine equipment and accessories, are large national or regional chains that have substantial financial, marketing, and other resources. Private sales of used boats represent an additional source of competition.

Due to various matters, including environmental concerns, permitting and zoning requirements, and competition for waterfront real estate, some markets in the United States have experienced an increased waiting list for marina and storage availability. In general, the markets in which we currently operate are not experiencing any unusual difficulties. However, marine retail activity could be adversely effected in markets that do not have sufficient marine and storage availability to satisfy demand.

### ***We depend on income from financing, insurance, and extended service contracts.***

A portion of our income results from referral fees derived from the placement or marketing of various finance and insurance, or F&I, products, consisting of customer financing, insurance products, and extended service contracts, the most significant component of which is the participation and other fees resulting from our sale of customer financing contracts. During fiscal 2011, F&I products accounted for 2.7% of our revenue.

The availability of financing for our boat purchasers and the level of participation and other fees we receive in connection with such financing depend on the particular agreement between us and the lender and the current rate environment. Lenders may impose terms in their boat financing arrangements with us that may be unfavorable to us or our customers, resulting in reduced demand for our customer financing programs and lower participation and other fees. Customer financing became more difficult to secure during fiscal 2008, which continued in fiscal 2009, fiscal 2010, and fiscal 2011.

The reduction of profit margins on sales of F&I products or the lack of demand for or the unavailability of these products could have a material adverse effect on our operating margins.

### ***We depend on key personnel.***

Our success depends, in large part, upon the continuing efforts and abilities of our executive officers. Although we have employment agreements with certain of our executive officers, we cannot assure that these or other executive personnel will remain with us. Expanding our operations may require us to add additional executive personnel in the future. As a result of our decentralized operating strategy, we also rely on the management teams of our dealerships. In addition, we likely will depend on the senior management of any significant businesses we acquire in the future. The loss of the services of one or more of these key employees before we are able to attract and retain qualified replacement personnel could adversely affect our business.

### ***The products we sell or service may expose us to potential liability for personal injury or property damage claims relating to the use of those products.***

Manufacturers of the products we sell generally maintain product liability insurance. We also maintain third-party product liability insurance that we believe to be adequate. We may experience claims that are not covered by or that are in excess of our insurance coverage. The institution of any significant claims against us could subject us to damages, result in higher insurance costs, and harm our business reputation with potential customers.

### ***Environmental and other regulatory issues may impact our operations.***

Our operations are subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. The failure to satisfy those and other regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations.

Various federal, state, and local regulatory agencies, including the Occupational Safety and Health Administration, or OSHA, the United States Environmental Protection Agency, or EPA, and similar federal and local agencies, have jurisdiction over the operation of our dealerships, repair facilities, and other operations, with

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respect to matters such as consumer protection, workers' safety, and laws regarding protection of the environment, including air, water, and soil. The EPA promulgated emissions regulations for outboard marine engines that impose stricter emissions standards for two-cycle, gasoline outboard marine engines. The majority of the outboard marine engines we sell are manufactured by Mercury Marine. Mercury Marine's product line of low-emission engines, including the OptiMax, Verado, and other four-stroke outboards, have achieved the EPA's mandated 2006 emission levels. Any increased costs of producing engines resulting from EPA standards or the inability of our manufacturers to comply with EPA requirements, could have a material adverse effect on our business.

Certain of our facilities own and operate underground storage tanks, or USTs, for the storage of various petroleum products. USTs are generally subject to federal, state, and local laws and regulations that require testing and upgrading of USTs and remediation of contaminated soils and groundwater resulting from leaking USTs. In addition, we may be subject to civil liability to third parties for remediation costs or other damages if leakage from our owned or operated USTs migrates onto the property of others.

Our business involves the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials, such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline, and diesel fuels. Accordingly, we are subject to regulation by federal, state, and local authorities establishing investigation and health and environmental quality standards, and liability related thereto, and providing penalties for violations of those standards.

We also are subject to laws, ordinances, and regulations governing investigation and remediation of contamination at facilities we operate or to which we send hazardous or toxic substances or wastes for treatment, recycling, or disposal. In particular, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA or Superfund, imposes joint, strict, and several liability on

owners or operators of facilities at, from, or to which a release of hazardous substances has occurred;

parties that generated hazardous substances that were released at such facilities; and

parties that transported or arranged for the transportation of hazardous substances to such facilities.

A majority of states have adopted Superfund statutes comparable to and, in some cases, more stringent than CERCLA. If we were to be found to be a responsible party under CERCLA or a similar state statute, we could be held liable for all investigative and remedial costs associated with addressing such contamination. In addition, claims alleging personal injury or property damage may be brought against us as a result of alleged exposure to hazardous substances resulting from our operations. In addition, certain of our retail locations are located on waterways that are subject to federal or state laws regulating navigable waters (including oil pollution prevention), fish and wildlife, and other matters.

Soil and groundwater contamination has been known to exist at certain properties owned or leased by us. We have also been required and may in the future be required to remove aboveground and underground storage tanks containing hazardous substances or wastes. As to certain of our properties, specific releases of petroleum have been or are in the process of being remediated in accordance with state and federal guidelines. We are monitoring the soil and groundwater as required by applicable state and federal guidelines. We also may have additional storage tank liability insurance and Superfund coverage where applicable. Environmental laws and regulations are complex and subject to frequent change. Compliance with amended, new, or more stringent laws or regulations, more strict interpretations of existing laws, or the future discovery of environmental conditions may require additional expenditures by us, and such expenditures may be material.

Two of the properties we own were historically used as gasoline service stations. Remedial action with respect to prior historical site activities on these properties has been completed in accordance with federal and state law. Also, one of our properties is within the boundaries of a Superfund site, although neither property has been identified as a contributor to the contamination in the area.



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Additionally, certain states have required or are considering requiring a license in order to operate a recreational boat. These regulations could discourage potential buyers, thereby limiting future sales and adversely affecting our business, financial condition, and results of operations.

*The market price of our common stock could be subject to wide fluctuations as a result of many factors.*

Factors that could affect the trading price of our common stock include the following:

variations in our operating results;

the thin trading volume and relatively small public float of our common stock;

our ability to continue to secure adequate levels of financing;

variations in same-store sales;

general economic, political, and market conditions;

changes in earnings estimates published by analysts;

the level and success of our acquisition program and new store openings;

the success of dealership integration;

relationships with manufacturers;

seasonality and weather conditions;

governmental policies and regulations;

the performance of the recreational boat industry in general; and

factors relating to suppliers and competitors.

In addition, market demand for small-capitalization stocks, and price and volume fluctuations in the stock market unrelated to our performance could result in significant fluctuations in the market price of our common stock.

The performance of our common stock could adversely affect our ability to raise equity in the public markets and adversely affect our acquisition program.

*The issuance of additional capital stock in the future, including shares that we may issue pursuant to stock-based grants, including stock option grants, and future acquisitions, may result in dilution in the net tangible book value per share of our common stock.*

Our board of directors has the legal power and authority to determine the terms of an offering of shares of our capital stock, or securities convertible into or exchangeable for these shares, to the extent of our shares of authorized and unissued capital stock. The issuance of additional common stock in the future, including shares that we may issue pursuant to stock-based grants, including stock option grants, and future acquisitions, may result in dilution in the net tangible book value per share of our common stock.

*A substantial number of shares are eligible for future sale.*

As of September 30, 2011, there were 22,512,200 shares of our common stock outstanding. Substantially all of these shares are freely tradable without restriction or further registration under the securities laws, unless held by an affiliate of our company, as that term is defined in Rule 144 under the securities laws. Shares held by affiliates of our company, which generally include our directors, officers, and certain principal stockholders, are

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subject to the resale limitations of Rule 144 described below. Outstanding shares of common stock issued in connection with the acquisition of any acquired dealers are available for resale beginning six months after the respective dates of the acquisitions, subject to compliance with the provisions of Rule 144 under the securities laws.

As of September 30, 2011, we had issued options to purchase approximately 3,877,067 shares of common stock and 620,972 restricted stock awards under our incentive stock plan, and we issued 436,821 shares of common under our employee stock purchase plan. We have filed a registration statement under the securities laws to register the common stock to be issued under these plans. As a result, shares issued under these plans will be freely tradable without restriction unless acquired by affiliates of our company, who will be subject to the volume and other limitations of Rule 144.

We may issue additional shares of common stock or preferred stock under the securities laws as part of any acquisition we may complete in the future. If issued pursuant to an effective registration statement, these shares generally will be freely tradable after their issuance by persons not affiliated with us or the acquired companies.

***We do not pay cash dividends.***

We have never paid cash dividends on our common stock.

***Certain provisions of our restated certificate of incorporation and bylaws and Delaware law may make a change in the control of our company more difficult to complete, even if a change in control were in the stockholders' interest or might result in a premium over the market price for the shares held by the stockholders.***

Our certificate of incorporation and bylaws divide our board of directors into three classes of directors elected for staggered three-year terms. The certificate of incorporation also provides that the board of directors may authorize the issuance of one or more series of preferred stock from time to time and may determine the rights, preferences, privileges, and restrictions and fix the number of shares of any such series of preferred stock, without any vote or action by our stockholders. The board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The certificate of incorporation also allows our board of directors to fix the number of directors and to fill vacancies on the board of directors.

We also are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

Certain of our dealer agreements could also make it difficult for a third party to attempt to acquire a significant ownership position in our company. In addition, the stockholders' agreement and governance agreement will have the effect of increasing the control of our directors, executive officers, and persons associated with them.

***Our sales of Azimut-Benetti Group products may be adversely affected by fluctuations in currency exchange rates between the U.S. dollar and the euro.***

Products purchased from Italy-based Azimut-Benetti Group are subject to fluctuations in the euro to U.S. dollar exchange rate, which ultimately may impact the retail price at which we can sell such products. As a result, fluctuations in the value of the euro compared with the U.S. dollar may impact the price points at which we can sell profitably Azimut-Benetti Group products, and such price points may not be competitive with other product lines in the United States. Accordingly, such fluctuations in exchange rates ultimately may impact the amount of revenue, cost of goods sold, cash flows, and earnings we recognize for the Azimut-Benetti Group product lines. The impact of these currency fluctuations could increase, particularly if our revenue from the Azimut-Benetti

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Group products increase as a percentage of our total revenue. We also could incur losses from hedging transactions designed to reduce our risk to fluctuation in exchange rates. We cannot predict the effects of exchange rate fluctuations or currency rate hedges on our operating results. Therefore, in certain cases, we may, from time to time, enter into foreign currency cash flow hedges to reduce the variability of cash flows associated with firm commitments to purchase boats and yachts from Azimut-Benetti Group. We cannot assure that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 2. Properties**

We lease our corporate offices in Clearwater, Florida. We also lease 29 of our retail locations under leases, many of which contain multi-year renewal options and some of which grant us a first right of refusal to purchase the property at fair value. In most cases, we pay a fixed rent at negotiated rates. In substantially all of the leased locations, we are responsible for taxes, utilities, insurance, and routine repairs and maintenance. We own the property associated with 24 other retail locations we operate and one joint venture as noted below. Additionally, we own seven retail locations that are currently closed as noted below.

The following table reflects the status, approximate size, and facilities of the various retail locations we operate as of the date of this report.

| Location            | Location Type     | Square Footage(1) | Facilities at Property           | Operated Since(2) | Waterfront           |
|---------------------|-------------------|-------------------|----------------------------------|-------------------|----------------------|
| <b>Alabama</b>      |                   |                   |                                  |                   |                      |
| Gulf Shores         | Company owned     | 4,000             | Retail and service               | 1998              |                      |
| <b>Arizona</b>      |                   |                   |                                  |                   |                      |
| Tempe               | Company owned     | 34,000            | Retail and service               | 1992              |                      |
| <b>California</b>   |                   |                   |                                  |                   |                      |
| San Diego           | Third-party lease | 700               | Retail only                      | 2011              | San Diego Bay        |
| <b>Colorado</b>     |                   |                   |                                  |                   |                      |
| Grand Junction      | Third-party lease | 9,300             | Retail, service, and storage     | 1986              |                      |
| <b>Connecticut</b>  |                   |                   |                                  |                   |                      |
| Norwalk             | Third-party lease | 7,000             | Retail and service               | 1994              | Norwalk Harbor       |
| <b>Florida</b>      |                   |                   |                                  |                   |                      |
| Cape Haze(4)        | Company owned     | 18,000            | Retail, 8 wet slips              |                   | Intracostal Waterway |
| Clearwater          | Company owned     | 42,000            | Retail and service; 20 wet slips | 1973              | Tampa Bay            |
| Cocoa               | Company owned     | 15,000            | Retail and service               | 1968              |                      |
| Dania               | Company owned     | 32,000            | Repair and service; 16 wet slips | 1991              | Port Everglades      |
| Destin              | Third-party lease | 6,000             | Retail and service               | 2011              |                      |
| Fort Myers          | Third-party lease | 8,000             | Retail and service; 18 wet slips | 1983              | Caloosahatchee River |
| Jacksonville        | Company owned     | 15,000            | Retail and service               | 2004              |                      |
| Key Largo           | Third-party lease | 8,900             | Retail and service; 6 wet slips  | 2002              | Card Sound           |
| Miami               | Company owned     | 7,200             | Retail and service; 15 wet slips | 1980              | Little River         |
| Miami               | Company owned     | 5,000             | Service only; 11 wet slips       | 2005              | Little River         |
| Naples              | Company owned     | 19,600            | Retail and service; 14 wet slips | 1997              | Naples Bay           |
| North Palm Beach(4) | Company owned     | 22,800            | Retail and service; 8 wet slips  |                   | Intracostal Waterway |

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| <b>Location</b>   | <b>Location Type</b> | <b>Square Footage(1)</b> | <b>Facilities at Property</b>               | <b>Operated Since(2)</b> | <b>Waterfront</b>                       |
|-------------------|----------------------|--------------------------|---|--------------------------|---|
| Panama City       | Third-party lease    | 10,500                   | Retail only; 8 wet slips                    | 2011                     | Saint Andrew Bay                        |
| Pensacola         | Third-party lease    | 24,300                   | Retail and service                          | 1974                     |   |
| Pompano Beach     | Company owned        | 23,000                   | Retail and service; 16 wet slips            | 1990                     | Intracoastal Waterway                   |
| Pompano Beach     | Company owned        | 5,400                    | Retail and service; 24 wet slips            | 2005                     | Intracoastal Waterway                   |
| Sarasota          | Third-party lease    | 26,500                   | Retail, service, and storage; 15 wet slips  | 1972                     | Sarasota Bay                            |
| St. Petersburg(3) | Joint venture        | 15,000                   | Yacht service, 20 wet slips                 | 2006                     | Boca Ciega Bay                          |
| Stuart            | Company owned        | 29,100                   | Retail and service; 66 wet slips            | 2002                     | Intracoastal Waterway                   |
| Tampa             | Company owned        | 13,100                   | Retail and service                          | 1995                     |   |
| Venice            | Company owned        | 62,000                   | Retail, service, and storage; 90 wet slips  | 1972                     | Intracoastal Waterway                   |
| <b>Georgia</b>    |                      |                          |   |                          |   |
| Buford (Atlanta)  | Company owned        | 13,500                   | Retail and service                          | 2001                     |   |
| Cumming (Atlanta) | Third-party lease    | 13,000                   | Retail and service; 50 wet slips            | 1981                     | Lake Lanier                             |
| <b>Kansas</b>     |                      |                          |   |                          |   |
| Kansas City       | Third-party lease    | 7,000                    | Retail only                                 | 2010                     |   |
| <b>Maryland</b>   |                      |                          |   |                          |   |
| Baltimore         | Third-party lease    | 7,600                    | Retail and service; 17 wet slips            | 2005                     | Baltimore Inner Harbor                  |
| Joppa             | Company owned        | 28,400                   | Retail, service, and storage; 294 wet slips | 1966                     | Gunpowder River                         |
| White Mash(4)     | Company owned        | 19,800                   | Retail and service                          |                          |   |
| <b>Minnesota</b>  |                      |                          |   |                          |   |
| Bayport           | Third-party lease    | 450                      | Retail only; 10 wet slips                   | 1996                     | St Croix River                          |
| Rogers            | Company owned        | 70,000                   | Retail, service, and storage                | 1991                     |   |
| Walker            | Company owned        | 76,400                   | Retail, service, and storage                | 1989                     |   |
| Walker            | Company owned        | 6,800                    | Retail and service; 93 wet slips            | 1977                     | Leech Lake                              |
| <b>Missouri</b>   |                      |                          |   |                          |   |
| Kimberling City   | Third-party lease    | 500                      | Retail only; 7 wet slips                    | 2000                     | Table Rock Lake                         |
| Lake Ozark        | Company owned        | 60,300                   | Retail and service; 300 wet slips           | 1987                     | Lake of the Ozarks                      |
| Laurie(4)         | Company owned        | 700                      | Retail and service                          |                          |   |
| Osage Beach(4)    | Company owned        | 2,000                    | Retail and service                          |                          |   |
| Springfield(4)    | Company owned        | 12,200                   | Retail and service                          |                          |   |
| <b>Nevada</b>     |                      |                          |   |                          |   |
| Las Vegas(4)      | Company owned        | 21,600                   | Retail and service                          |                          |   |
| <b>New Jersey</b> |                      |                          |   |                          |   |
| Brant Beach       | Third-party lease    | 3,800                    | Retail and service; 36 wet slips            | 1965                     | Barnegat Bay                            |
| Brick             | Company owned        | 20,000                   | Retail and service; 225 wet slips           | 1977                     | Manasquan River                         |
| Lake Hopatcong    | Third-party lease    | 4,600                    | Retail and service; 80 wet slips            | 1998                     | Lake Hopatcong                          |
| Ship Bottom       | Third-party lease    | 19,300                   | Retail and service                          | 1972                     |   |
| Somers Point      | Third-party lease    | 31,000                   | Retail, service and storage; 33 wet slips   | 1987                     | Little Egg Harbor Bay                   |
| <b>New York</b>   |                      |                          |   |                          |   |
| Copague           | Third-party lease    | 15,000                   | Retail only                                 | 1993                     |   |
| Huntington        | Third-party lease    | 1,200                    | Retail and service                          | 1995                     | Huntington Harbor and Long Island Sound |

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| <b>Location</b>               | <b>Location Type</b> | <b>Square Footage(1)</b> | <b>Facilities at Property</b>            | <b>Operated Since(2)</b> | <b>Waterfront</b>                     |
|-------------------------------|----------------------|--------------------------|--|--------------------------|---------------------------------------|
| Lindenhurst (Delivery Center) | Third-party lease    | 54,000                   | Retail, service, and dry storage         | 1968                     | Neguntatogue Creek to Great South Bay |
| Lindenhurst (Marina)          | Third-party lease    | 14,600                   | Marina and service; 370 wet slips        | 1968                     | Neguntatogue Creek to Great South Bay |
| Manhattan                     | Third-party lease    | 1,200                    | Retail only; 75 wet slips                | 1996                     | Hudson River                          |
| New Rochelle                  | Third-party lease    | 4,650                    | Retail and service                       | 2008                     | Long Island Sound                     |
| <b>North Carolina</b>         |                      |                          |  |                          |                                       |
| Southport                     | Third-party lease    | 1,600                    | Retail only                              | 2008                     | Cape Fear River                       |
| Wrightsville Beach            | Third-party lease    | 34,500                   | Retail, service, and storage             | 1996                     | Masonboro Inlet                       |
| <b>Ohio</b>                   |                      |                          |  |                          |                                       |
| Port Clinton                  | Company owned        | 80,000                   | Retail, service and storage; 8 wet slips | 1997                     | Lake Erie                             |
| <b>Oklahoma</b>               |                      |                          |  |                          |                                       |
| Afton                         | Third-party lease    | 3,500                    | Retail and service; 23 wet slips         | 2003                     | Grand Lake                            |
| <b>Rhode Island</b>           |                      |                          |  |                          |                                       |
| Newport                       | Third-party lease    | 700                      | Retail only                              | 2011                     | Newport Harbor                        |
| <b>Tennessee</b>              |                      |                          |  |                          |                                       |
| Chattanooga                   | Third-party lease    | 3,000                    | Retail only; 12 wet slips                | 2005                     | Tennessee River                       |
| <b>Texas</b>                  |                      |                          |  |                          |                                       |
| Lewisville (Dallas)           | Company owned        | 22,000                   | Retail and service                       | 2002                     |                                       |
| Seabrook                      | Company owned        | 32,000                   | Retail and service; 30 wet slips         | 2002                     | Clear Lake                            |

(1) Square footage is approximate and does not include outside sales space or dock or marina facilities.

(2) Operated since date is the date the facility was opened by us or opened prior to its acquisition by us.

(3) Joint venture entered into with Brunswick to acquire marina and service facility.

(4) Owned location that is currently closed.

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We are party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the actual outcome of these actions as of September 30, 2011, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

**Item 4. Removed and Reserved****PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities**

Our common stock has been traded on the New York Stock Exchange under the symbol HZO since our initial public offering on June 3, 1998 at \$12.50 per share. The following table sets forth high and low sale prices of the common stock for each calendar quarter indicated as reported on the New York Stock Exchange.

|   | High     | Low     |
|---|----------|---------|
| <b>2009</b>                               |          |         |
| First quarter                             | \$ 3.61  | \$ 1.19 |
| Second quarter                            | \$ 6.15  | \$ 1.84 |
| Third quarter                             | \$ 8.52  | \$ 3.01 |
| Fourth quarter                            | \$ 9.46  | \$ 6.44 |
| <b>2010</b>                               |          |         |
| First quarter                             | \$ 11.99 | \$ 8.63 |
| Second quarter                            | \$ 12.79 | \$ 6.91 |
| Third quarter                             | \$ 8.51  | \$ 6.17 |
| Fourth quarter                            | \$ 9.65  | \$ 6.85 |
| <b>2011</b>                               |          |         |
| First quarter                             | \$ 9.99  | \$ 7.92 |
| Second quarter                            | \$ 10.63 | \$ 7.51 |
| Third quarter                             | \$ 9.67  | \$ 5.50 |
| Fourth quarter (through December 6, 2011) | \$ 8.49  | \$ 5.51 |

On December 6, 2011, the closing sale price of our common stock was \$6.20 per share. On December 6, 2011, there were approximately 100 record holders and approximately 5,000 beneficial owners of our common stock.

**Dividends**

We have never declared or paid cash dividends on our common stock. We currently plan to retain any earnings to finance the growth of our business rather than to pay cash dividends. Payments of any cash dividends in the future will depend on our financial condition, results of operations, and capital requirements as well as other factors deemed relevant by our board of directors.

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**Performance Graph**

The following line graph compares cumulative total stockholder returns for the five years ended September 30, 2011 for (i) our common stock, (ii) the Russell 2000 Index, and (iii) the Nasdaq Retail Trade Index. The graph assumes an investment of \$100 on September 30, 2006. The calculations of cumulative stockholder return on the Russell 2000 Index and the Nasdaq Retail Trade Index include reinvestment of dividends. The calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The historical performance shown is not necessarily indicative of future performance.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among MarineMax, Inc., the Russell 2000 Index

and the NASDAQ Retail Trade Index

\* \$100 invested on 9/30/06 in stock or index, including reinvestment of dividends. Fiscal year ending September 30.  
The performance graph above shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or Exchange Act, or otherwise subject to the liability of that section. The performance graph above will not be deemed incorporated by reference into any filing of our company under the Exchange Act or the Securities Act of 1933, as amended.



**Table of Contents****Item 6. Selected Financial Data**

The following table contains certain financial and operating data and is qualified by the more detailed consolidated financial statements and notes thereto included elsewhere in this report. The balance sheet and statement of operations data were derived from the consolidated financial statements and notes thereto that have been audited by Ernst & Young LLP, an independent registered certified public accounting firm. The financial data shown below should be read in conjunction with the consolidated financial statements and the related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

|   | Fiscal Year Ended September 30,  |              |             |            |             |
|---|--|--------------|-------------|------------|-------------|
|   | 2007   | 2008         | 2009        | 2010       | 2011        |
|   | (Amounts in thousands except share, per share, and retail location data) |              |             |            |             |
| <b>Statement of Operations Data:</b>                |  |              |             |            |             |
| Revenue   | \$ 1,255,985   | \$ 885,407   | \$ 588,585  | \$ 450,340 | \$ 480,894  |
| Cost of sales                                       | 956,251  | 679,164      | 499,925     | 339,533    | 361,400     |
| Gross profit  | 299,734  | 206,243      | 88,660      | 110,807    | 119,494     |
| Selling, general, and administrative expenses       | 245,224  | 217,426      | 159,998     | 123,972    | 127,896     |
| Goodwill and intangible asset impairment charge     |  | 122,091      |             |            |             |
| Income (loss) from operations                       | 54,510   | (133,274)    | (71,338)    | (13,165)   | (8,402)     |
| Interest expense, net                               | 26,955   | 20,164       | 14,064      | 3,926      | 3,488       |
| Income (loss) before income tax provision (benefit) | 27,555   | (153,438)    | (85,402)    | (17,091)   | (11,890)    |
| Income tax provision (benefit)                      | 7,486  | (19,161)     | (8,630)     | (19,588)   | (367)       |
| Net income (loss)                                   | \$ 20,069  | \$ (134,277) | \$ (76,772) | \$ 2,497   | \$ (11,523) |
| Net income (loss) per share:                        |  |              |             |            |             |
| Diluted   | \$ 1.04  | \$ (7.30)    | \$ (4.11)   | \$ 0.11    | \$ (0.52)   |
| Weighted average number of shares:                  |  |              |             |            |             |
| Diluted   | 19,289,231   | 18,391,488   | 18,685,423  | 22,597,953 | 22,375,271  |
| <b>Other Data (as of year-end):</b>                 |  |              |             |            |             |
| Number of retail locations(1)                       | 88   | 80           | 55          | 56         | 54          |
| Sales per store(2)(4)                               | \$ 15,246  | \$ 12,492    | \$ 11,285   | \$ 8,779   | \$ 9,913    |
| Same-store sales growth(3)(4)                       | (1)%   | (28)%        | (29)%       | (17)%      | 8%          |

|   | 2007       | 2008       | September 30,<br>2009 | 2010       | 2011      |
|---|------------|------------|-----------------------|------------|-----------|
| <b>Balance Sheet Data:</b>                    |            |            |                       |            |           |
| Working capital                               | \$ 170,389 | \$ 134,458 | \$ 97,179             | \$ 102,053 | \$ 97,718 |
| Total assets                                  | 825,878    | 661,323    | 393,644               | 336,760    | 363,129   |
| Goodwill and other intangible assets, net     | 121,174    |            |                       |            |           |
| Long-term debt (including current portion)(5) | 30,833     |            |                       |            |           |
| Total stockholders' equity                    | 373,559    | 248,583    | 197,756               | 202,030    | 195,000   |

- (1) Includes only those retail locations open at period end.
- (2) Includes only those stores open for the entire preceding 12-month period.

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- (3) New and acquired stores are included in the comparable base at the end of the store's thirteenth month of operations.
- (4) A store is one or more retail locations that are adjacent or operate as one entity. Sales per store and same-store sales growth is intended only as supplemental information and is not a substitute for revenue or net income presented in accordance with generally accepted accounting principles.
- (5) Amount excludes our short-term borrowings for working capital and inventory financing.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following should be read in conjunction with Part I, including the matters set forth in the Risk Factors section of this report, and our Consolidated Financial Statements and notes thereto included elsewhere in this report.

**Overview**

We are the largest recreational boat retailer in the United States with fiscal 2011 revenue in excess of \$475 million. Through our current 54 retail locations in 19 states, we sell new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. We also arrange related boat financing, insurance, and extended service contracts; provide boat repair and maintenance services; offer yacht and boat brokerage services; and, where available, offer slip and storage accommodations. We recently implemented programs to increase substantially our sale over the Internet of used boats and a wide range of boating parts, accessories, supplies, and products; the sale of used boats, boating parts, and accessories, as well as the offer of F&I products at various offsite locations; and the charter of power and sailing yachts. None of these programs has had a material effect on our financial statements.

MarineMax was incorporated in January 1998. We commenced operations with the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have acquired 21 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair facilities. As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including, in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated. We did not complete any significant acquisitions during the fiscal years ended September 30, 2009 or 2010 and completed a relatively small acquisition in fiscal 2011.

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated 45%, 54%, and 50% of our revenue during fiscal 2009, 2010, and 2011, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, inclement weather, and environmental conditions, such as the BP oil spill in the Gulf of Mexico, also could adversely affect our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. Although we have expanded our operations during periods of stagnant or modestly declining industry trends, the cyclical nature of the recreational boating industry or the lack of industry growth may adversely affect our business, financial condition, and results of operations. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

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Lower consumer spending resulting from a downturn in the housing market and other economic factors adversely affected our business in fiscal 2007 and continued weakness in consumer spending resulting from substantial weakness in the financial markets and deteriorating economic conditions had a very substantial negative effect on our business in fiscal 2008, 2009, 2010, and 2011. These conditions caused us to defer our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close a number of our retail locations, reduce our headcount, and amend and replace our credit facility. Acquisitions and new store openings remain important strategies to our company, and we plan to resume our growth through these strategies when more normal economic conditions return. However, we cannot predict the length or severity of these unfavorable economic or financial conditions or the extent to which they will continue to adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary.

Although economic conditions have adversely affected our operating results, we have capitalized on our core strengths to substantially outperform the industry, resulting in market share gains. Our ability to capture such market share supports the alignment of our retailing strategies with the desires of consumers. We believe the steps we have taken to address weak market conditions will yield an increase in future revenue. As general economic trends improve, we expect our core strengths and retailing strategies will position us to capitalize on growth opportunities as they occur and will allow us to emerge from this challenging economic environment with greater earnings potential.

### **Application of Critical Accounting Policies**

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported and expected financial results.

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States. We base our estimates on historical experiences and on various other assumptions that we believe are reasonable under the circumstances. The results 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 significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

#### ***Revenue Recognition***

We recognize revenue from boat, motor, and trailer sales and parts and service operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or the service is completed. We recognize deferred revenue from service operations and slip and storage services on a straight-line basis over the term of the contract or when service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when we recognize the related boat sales. We recognize marketing fees earned on credit life, accident, disability, and hull insurance products sold by third-party insurance companies at the later of customer acceptance of the insurance product as evidenced by contract execution or when the related boat sale is recognized. We also recognize commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale.

Certain finance and extended warranty commissions and marketing fees on insurance products may be charged back if a customer terminates or defaults on the underlying contract within a specified period of time. Based upon our experience of terminations and defaults, we maintain a chargeback allowance that was not

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material to our financial statements taken as a whole as of September 30, 2010 or 2011. Should results differ materially from our historical experiences, we would need to modify our estimate of future chargebacks, which could have a material adverse effect on our operating margins.

### ***Vendor Consideration Received***

We account for consideration received from our vendors in accordance with FASB Accounting Standards Codification 605-50, Revenue Recognition, Customer Payments and Incentives (ASC 605-50). ASC 605-50 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 605-50, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses.

### ***Inventories***

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state used boat, motor, and trailer inventories, including trade-ins, at the lower of cost, determined on a specific-identification basis, or market. We state parts and accessories at the lower of cost, determined on an average cost basis, or market. We utilize our historical experience, the aging of the inventories, and our consideration of current market trends as the basis for determining a lower of cost or market valuation allowance. As of September 30, 2010 and 2011, our lower of cost or market valuation allowance was \$7.3 million and \$3.4 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the lower of cost or market valuation allowance could increase.

### ***Impairment of Long-Lived Assets***

FASB Accounting Standards Codification 360-10-40, Property, Plant, and Equipment, Impairment or Disposal of Long-Lived Assets (ASC 360-10-40), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. As of September 30, 2011, we had not recognized any impairment of long-lived assets in connection with ASC 360-10-40 based on our reviews.

### ***Stock-Based Compensation***

We account for our share-based compensation plans following the provisions of FASB Accounting Standards Codification 718, Compensation Stock Compensation (ASC 718). In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares purchased under our Employee Stock Purchase Plan. We measure compensation for restricted stock awards and restricted stock units at fair value on the grant date based on the number of shares expected to vest and the quoted market price of our common stock. For restricted stock units with market conditions, we utilize a Monte Carlo simulation embedded in a lattice model to determine the fair value. We recognize compensation cost for all awards in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

**Table of Contents****Income Taxes**

We account for income taxes in accordance with FASB Accounting Standards Codification 740, *Income Taxes* (ASC 740). Under ASC 740, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized by considering all available positive and negative evidence.

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets, including past operating results and future sources of taxable income. Under the provisions of ASC 740-10, we determined that our net deferred tax asset needed to be fully reserved given recent earnings and industry trends.

The Worker, Homeownership, and Business Assistance Act of 2009 was signed into law in November 2009. This act allowed us to carryback our 2009 net operating loss, which had a valuation allowance recorded against the entire amount and which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. The tax refund was recorded as income tax benefit during our quarter ended December 31, 2009, the period in which this act was enacted. We filed a carryback claim with the Internal Revenue Service, and we received a \$19.2 million refund in the quarter ended March 31, 2010.

For a more comprehensive list of our accounting policies, including those which involve varying degrees of judgment, see Note 2 *Significant Accounting Policies* of Notes to Consolidated Financial Statements.

**Results of Operations**

The following table sets forth certain financial data as a percentage of revenue for the periods indicated:

|   | 2009                   |         | Fiscal Year Ended September 30,<br>2010 |        | 2011        |        |
|---|------------------------|---------|---|--------|-------------|--------|
|   |                        |         |   |        |             |        |
|   | (Amounts in thousands) |         |   |        |             |        |
| Revenue                                       | \$ 588,585             | 100.0%  | \$ 450,340                              | 100.0% | \$ 480,894  | 100.0% |
| Cost of sales                                 | 499,925                | 84.9%   | 339,533                                 | 75.4%  | 361,400     | 75.1%  |
| Gross profit                                  | 88,660                 | 15.1%   | 110,807                                 | 24.6%  | 119,494     | 24.9%  |
| Selling, general, and administrative expenses | 159,998                | 27.2%   | 123,972                                 | 27.5%  | 127,896     | 26.6%  |
| Loss from operations                          | (71,338)               | (12.1)% | (13,165)                                | (2.9)% | (8,402)     | (1.8)% |
| Interest expense                              | 14,064                 | 2.4%    | 3,926                                   | 0.9%   | 3,488       | 0.7%   |
| Loss before income tax benefit                | (85,402)               | (14.5)% | (17,091)                                | (3.8)% | (11,890)    | (2.5)% |
| Income tax benefit                            | 8,630                  | 1.5%    | 19,588                                  | 4.4%   | 367         | 0.1%   |
| Net income (loss)                             | \$ (76,772)            | (13.0)% | \$ 2,497                                | 0.6%   | \$ (11,523) | (2.4)% |

**Fiscal Year Ended September 30, 2011 Compared with Fiscal Year Ended September 30, 2010**

*Revenue.* Revenue increased \$30.6 million, or 6.8%, to \$480.9 million for the fiscal year ended September 30, 2011 from \$450.3 million for the fiscal year ended September 30, 2010. Of this increase, \$34.3 million was attributable to an 8% increase in comparable-store sales, which was partially offset by a decline of \$3.7 million related to stores opened or closed that were not eligible for inclusion in the comparable-store base for the 12 months ended September 30, 2011. The increase in our comparable-store sales was due to an increase in new boat sales, offset by a decline in used boat sales, because less used boats were available for sale for most of fiscal 2011 compared with fiscal 2010. Our retail sales continue to be adversely impacted by the ongoing economic pressure on our industry.



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**Gross Profit.** Gross profit increased \$8.7 million, or 7.8%, to \$119.5 million for the fiscal year ended September 30, 2011 from \$110.8 million for the fiscal year ended September 30, 2010. Gross profit as a percentage of revenue increased to 24.9% for the fiscal year ended September 30, 2011 from 24.6% for the fiscal year ended September 30, 2010. The increase in gross profit was primarily attributable to incrementally increased margins on boat sales due to improving industry inventory conditions.

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expenses increased \$3.9 million, or 3.2%, to \$127.9 million for the fiscal year ended September 30, 2011 from \$124.0 million for the fiscal year ended September 30, 2010. The overall increase in selling, general, and administrative expenses was attributable to increased commissions paid as a result of increased new boat sales. Additionally, we increased marketing expenses associated with boat show spending, partially related to new brands we added during the year. The fiscal year ended September 30, 2010 included the reversal of approximately \$3.9 million of stock-based compensation expense, resulting from the achievement of performance criteria of certain restricted stock units no longer being probable. The fiscal year ended September 30, 2011 included approximately \$750,000 in store closing and lease termination costs. Additionally, the fiscal year ended September 30, 2010 included approximately \$1.2 million in store closing costs and \$1.0 million of debt extinguishment costs related to our previous credit facility. Excluding these items in both periods would have resulted in a decrease in selling, general, and administrative expenses as a percentage of revenue of approximately 1.5% from 27.9% for the fiscal year ended September 30, 2010 to 26.4% for the fiscal year ended September 30, 2011. This decrease in selling, general, and administrative expenses (with such adjustments) as a percentage of revenue was primarily attributable to expense leverage obtained through our reported comparable-store sales increase.

**Interest Expense.** Interest expense decreased \$438,000, or 11.1%, to \$3.5 million for the fiscal year ended September 30, 2011 from \$3.9 million for the fiscal year ended September 30, 2010. Interest expense as a percentage of revenue decreased to 0.7% for the fiscal year ended September 30, 2011 from 0.9% for the fiscal year ended September 30, 2010. The decrease was primarily a result of a lower interest rate on our new floor plan credit facilities with GECDF and CGI.

**Income Tax Benefit.** We had an income tax benefit of \$367,000 for the fiscal year ended September 30, 2011 compared with an income tax benefit of \$19.6 million for the fiscal year ended September 30, 2010. Our tax benefit in 2010 resulted from the enactment of the Worker, Homeownership, and Business Assistance Act of 2009, which was signed into law in November 2009. This act allowed us to carryback our 2009 net operating loss, which previously had a valuation allowance recorded against the entire amount and which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. This tax refund was recorded as income tax benefit during the quarter ended December 31, 2009, the period in which this act was enacted. We filed a carryback claim with the Internal Revenue Service, and we received a \$19.2 million refund in the quarter ended March 31, 2010.

**Fiscal Year Ended September 30, 2010 Compared with Fiscal Year Ended September 30, 2009**

**Revenue.** Revenue decreased \$138.3 million, or 23.5%, to \$450.3 million for the fiscal year ended September 30, 2010 from \$588.6 million for the fiscal year ended September 30, 2009. Of this decrease, \$89.0 million was attributable to a decline in comparable-store sales and \$49.3 million was attributable to stores opened or closed that were not eligible for inclusion in the comparable-store base for the 12 months ended September 30, 2010. The decline in our comparable-store sales was due to the ongoing economic pressure on our industry caused by the widely reported recession, a difficult retail financing environment, and the impact of the BP oil spill in the Gulf of Mexico on customer's purchasing decisions, all of which have adversely impacted our retail sales.

**Gross Profit.** Gross profit increased \$22.1 million, or 25.0%, to \$110.8 million for the fiscal year ended September 30, 2010 from \$88.7 million for the fiscal year ended September 30, 2009. Gross profit as a percentage of revenue increased to 24.6% for the fiscal year ended September 30, 2010 from 15.1% for the fiscal year ended September 30, 2009. The increase in gross profit as a percentage of revenue was a result of the actions we took to dramatically reduce inventory levels and improve its aging. These actions resulted in a reduction in the



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amount of discounting required on new and used boat sales. Gross profit also was positively impacted by a product mix shift from boat sales to our higher margin brokerage services, finance, and insurance products, and service, parts, and accessories products.

*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses decreased \$36.0 million, or 22.5%, to \$124.0 million for the fiscal year ended September 30, 2010 from \$160.0 million for the fiscal year ended September 30, 2009. The overall decrease in selling, general, and administrative expenses resulted from the strategic store reductions that we enacted throughout our 2009 fiscal year. Additionally, through reductions in workforce, we reduced personnel costs, commissions, and manager bonuses along with reductions in marketing, travel, and entertainment expenses. The fiscal year ended September 30, 2010 included the reversal of approximately \$3.9 million of stock-based compensation expense, resulting from the achievement of performance criteria of certain restricted stock units no longer being probable. The fiscal year ended September 30, 2009 included approximately \$6.2 million in store closing costs. Additionally, the fiscal year ended September 30, 2010 included approximately \$1.2 million in store closing costs and \$1.0 million of debt extinguishment costs related to our previous credit facility. Excluding these items would have resulted in an increase in selling, general, and administrative expenses as a percentage of revenue of approximately 1.8% from 26.1% for the fiscal year ended September 30, 2009 to 27.9% for the fiscal year ended September 30, 2010. This increase in selling, general, and administrative expenses (with such adjustments) as a percentage of revenue was primarily attributable to the reported same-store sales decline, which reduced our ability to leverage our expense structure.

*Interest Expense.* Interest expense decreased \$10.2 million, or 72.1%, to \$3.9 million for the fiscal year ended September 30, 2010 from \$14.1 million for the fiscal year ended September 30, 2009. The decrease was primarily a result of decreased borrowings under our credit facility. Interest expense as a percentage of revenue decreased to 0.9% for the fiscal year ended September 30, 2010 from 2.4% for the fiscal year ended September 30, 2009 because of the reductions in average borrowings on our credit facility.

*Income Tax Benefit.* Our income tax benefit for the fiscal year ended September 30, 2010 was \$19.6 million compared with \$8.6 million for the fiscal year ended September 30, 2009. The increase in our tax benefit was primarily due to the enactment of the Worker, Homeownership, and Business Assistance Act of 2009, which was signed into law in November 2009. This act allowed us to carryback our 2009 net operating loss, which previously had a valuation allowance recorded against the entire amount and which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. This tax refund was recorded as income tax benefit during the quarter ended December 31, 2009, the period in which this act was enacted. We filed a carryback claim with the Internal Revenue Service, and we received a \$19.2 million refund in the quarter ended March 31, 2010.

**Quarterly Data and Seasonality**

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories, and related short-term borrowings, in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January stimulates boat sales and allows us to typically reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year. Our business could become substantially more seasonal if we acquire dealers that operate in colder regions of the United States or close retail locations in warm climates.

Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, drought conditions (or merely reduced rainfall levels) or excessive rain, may close area boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products and services. In addition, unseasonably cool weather and prolonged winter conditions may lead to a shorter selling season in certain locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as has been the case when Florida and other markets were affected by hurricanes. Although our geographic diversity is likely to reduce the overall impact to us of adverse weather

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conditions in any one market area, these conditions will continue to represent potential, material adverse risks to us and our future financial performance.

### **Liquidity and Capital Resources**

Our cash needs are primarily for working capital to support operations, including new and used boat and related parts inventories, off-season liquidity, and growth through acquisitions and new store openings. Acquisitions and new store openings remain important strategies to our company, and we plan to resume our growth through these strategies when more normal economic conditions return. However, we cannot predict the length or severity of these unfavorable economic or financial conditions. We regularly monitor the aging of our inventories and current market trends to evaluate our current and future inventory needs. We also use this evaluation in conjunction with our review of our current and expected operating performance and expected business levels to determine the adequacy of our financing needs. These cash needs have historically been financed with cash generated from operations and borrowings under our credit facilities. Our ability to utilize our credit facilities to fund operations depends upon the collateral levels and compliance with the covenants of the credit facilities. Turmoil in the credit markets and weakness in the retail markets may interfere with our ability to remain in compliance with the covenants of the credit facilities and therefore our ability to utilize the credit facilities to fund operations. At September 30, 2011, we were in compliance with all covenants under our credit facilities. We currently depend upon dividends and other payments from our dealerships and our credit facilities to fund our current operations and meet our cash needs. As 100% owner of each of our dealerships, we determine the amounts of such distributions, and currently, no agreements exist that restrict this flow of funds from our dealerships.

For the fiscal year ended September 30, 2011, cash used in operating activities was approximately \$14.7 million. For the fiscal years ended September 30, 2009 and 2010, cash provided by operating activities approximated \$209.1 million and \$40.2 million, respectively. For the fiscal year ended September 30, 2009, cash provided by operating activities was due primarily to the significant reduction of inventories. For the fiscal year ended September 30, 2010, cash provided by operating activities was primarily related to a decrease in inventories due to our reduction in purchasing and our comparable-store sales, a decrease in accounts receivable from our manufacturers, and a decrease in income tax receivable resulting from the collection of the carryback claim, partially offset by a decrease in our accounts payable. For the fiscal year ended September 30, 2011, cash used in operating activities was primarily related to an increase in inventory driven by new product lines added and the timing of boats received. This was partially offset by a decrease in accounts receivable from our manufacturers as a result of reduced aging. In addition, customer deposits increased as a result of large yachts that were placed on order.

For the fiscal years ended September 30, 2009, 2010, and 2011, cash used in investing activities was approximately \$1.9 million, \$2.0 million, and \$8.7 million, respectively. For the fiscal years ended September 30, 2009 and 2010, cash used in investing activities was primarily used to purchase property and equipment associated with improving and relocating existing retail facilities. For the fiscal year ended September 30, 2011, cash used in investing activities was primarily used in a business acquisition and to purchase property and equipment associated with improving existing retail facilities. Of the \$8.7 million cash used in investing activities for the fiscal year ended September 30, 2011, approximately \$2.3 million was used in the business acquisition to acquire inventory and equipment.

For the fiscal year ended September 30, 2011, cash provided by financing activities was approximately \$26.2 million. For the fiscal years ended September 30, 2009 and 2010, cash used in financing activities was approximately \$212.0 million and \$47.2 million, respectively. For the fiscal year ended September 30, 2009, cash used by financing activities was primarily attributable to the repayments of short-term borrowings, partially offset by proceeds from our common stock sale. For the fiscal year ended September 30, 2010, cash used by financing activities was primarily attributable to net payments on our short-term borrowings as a result of decreased inventory levels. For the fiscal year ended September 30, 2011, cash provided by financing activities was primarily attributable to net short-term borrowings as a result of increased inventory levels.

In June 2011, we entered into an amendment to our Inventory Financing Agreement (the Credit Facility), originally entered into in June 2010 with GE Commercial Distribution Finance Company (GECDF), as

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amended in December 2010. The June 2011 amendment, among other things, modified the amount of borrowing availability, interest rate, and maturity date of the Credit Facility. The amended Credit Facility provides a floor plan financing commitment up to \$150 million, up from the previous limit of \$100 million, subject to borrowing base availability resulting from the amount and aging of our inventory. The amended Credit Facility matures in June 2014, subject to extension for two one-year periods, with the approval of GECDP.

The amended Credit Facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. At September 30, 2011, we were in compliance with all of the covenants under the amended Credit Facility. The interest rate for amounts outstanding under the amended Credit Facility is 383 basis points above the one-month London Inter-Bank Offering Rate ( LIBOR ). There is an unused line fee of ten basis points on the unused portion of the amended Credit Facility.

Advances under the amended Credit Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that have been partially paid-off. Advances on new inventory mature 1,081 days from the original invoice date. Advances on used inventory mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type and value of the inventory. The collateral for the amended Credit Facility is all of our personal property with certain limited exceptions. None of our real estate has been pledged for collateral for the amended Credit Facility.

In September 2011, we entered into an extension through August 31, 2012 to our Inventory Financing Agreement (the CGI Facility ), originally entered into in October 2010 with CGI Finance, Inc. The CGI Facility provides a floor plan financing commitment of \$30 million and is designed to provide financing for our Azimut inventory needs. The CGI Facility has an approximate one-year term, which is typical in the industry for similar floor plan facilities; however, each advance under the CGI Facility can remain outstanding for 18 months. The interest rate for amounts outstanding under the CGI Facility is 350 basis points above the one-month LIBOR.

Advances under the CGI Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that has been partially paid-off. Advances on new inventory mature 550 days from the advance date. Advances on used inventory mature 366 days from the advance date. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis, starting after six months for used inventory and one year for new inventory. The curtailment schedule varies based on the type of inventory.

The collateral for the CGI Facility is our entire Azimut inventory financed by the CGI Facility with certain limited exceptions. None of our real estate has been pledged as collateral for the CGI Facility. We must maintain compliance with certain financial covenants as specified in the CGI Facility. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. At September 30, 2011, we were in compliance with all of the covenants under the CGI Facility. The CGI Facility contemplates that other lenders may be added by us to finance other inventory not financed under the CGI Facility, if needed.

The amended Credit Facility and CGI Facility replace our prior \$180 million credit facility that provided for a line of credit with asset-based borrowing availability. The interest rate for amounts outstanding under the prior credit facility was 490 basis points above the one-month LIBOR.

As of September 30, 2010 and 2011, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$93.8 million and \$118.8 million, respectively. At September 30, 2010 and 2011, the interest rate on the outstanding short-term borrowings was 4.0% and 4.0%, respectively. At September 30, 2011, our additional available borrowings under our amended Credit Facility and CGI Facility were approximately \$53.2 million based upon the outstanding borrowing base availability. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages.

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Except as specified in this Management's Discussion and Analysis of Financial Condition, and Results of Operations and in our consolidated financial statements, we have no material commitments for capital for the next 12 months. We believe that our existing capital resources will be sufficient to finance our operations for at least the next 12 months, except for possible significant acquisitions.

**Contractual Commitments and Commercial Commitments**

The following table sets forth a summary of our material contractual obligations and commercial commitments as of September 30, 2011:

| Year Ending   | Short-Term Borrowings(1) | Long-Term Liabilities(2) | Operating Leases(3) | Total                  |
|---------------|--------------------------|--------------------------|---------------------|------------------------|
| September 30, |                          |                          |                     |                        |
|               |                          |                          |                     | (Amounts in thousands) |
| 2012          | \$ 118,828               | \$                       | \$ 5,783            | \$ 124,611             |
| 2013          |                          | 5,896                    | 4,523               | 10,419                 |
| 2014          |                          |                          | 3,442               | 3,442                  |
| 2015          |                          |                          | 2,795               | 2,795                  |
| 2016          |                          |                          | 1,776               | 1,776                  |
| Thereafter    |                          |                          | 2,131               | 2,131                  |
| Total         | \$ 118,828               | \$ 5,896                 | \$ 20,450           | \$ 145,174             |

- (1) Estimates of future interest payments for short-term borrowings have been excluded in the tabular presentation. Amounts due are contingent upon the outstanding balances and the variable interest rates. As of September 30, 2011, the interest rate on our short-term borrowings was 4.0%.
- (2) The amounts included in long-term liabilities consist primarily of deferred revenue, gross unrecognized tax benefits and our estimated liability for claims on certain workers' compensation insurance policies. While we estimate the amount to be paid in excess of 12 months, the ultimate timing of the payments is subject to certain variability. Accordingly, we have classified all amounts as due in the following year for the purposes of this table.
- (3) Amounts for operating lease commitments do not include certain operating expenses such as maintenance, insurance, and real estate taxes. These amounts are not a material component of operating expenses.

**Off-Balance Sheet Arrangements**

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to affect our financial condition, liquidity, or capital resources. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support; we do not engage in hedging, or research and development services; and we do not have other relationships that expose us to liability that is not reflected in the financial statements.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

At September 30, 2011, all of our short-term debt bore interest at a variable rate, tied to LIBOR as a reference rate. Changes in the underlying LIBOR interest rate on our short-term debt could affect our earnings. For example, a hypothetical 100 basis point increase in the interest rate on

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our short-term debt would result in an increase of approximately \$1.2 million in annual pre-tax interest expense. This estimated increase is based upon the outstanding balance of our short-term debt as of September 30, 2011 and assumes no mitigating changes by us to reduce the outstanding balances, no additional interest assistance that could be received from vendors due to the interest rate increase, and no changes in the base LIBOR rate.

Products purchased from European-based manufacturers are subject to fluctuations in the euro to U.S. dollar exchange rate, which ultimately may impact the retail price at which we can sell such products. Accordingly, fluctuations in the value of the euro compared with the U.S. dollar may impact the price points at which we can

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profitably sell European products, and such price points may not be competitive with other product lines in the United States. Accordingly, such fluctuations in exchange rates ultimately may impact the amount of revenue, cost of goods sold, cash flows, and earnings we recognize for European product lines. We cannot predict the effects of exchange rate fluctuations on our operating results. In certain cases, we may enter into foreign currency cash flow hedges to reduce the variability of cash flows associated with forecasted purchases of boats and yachts from European-based manufacturers. We are not currently engaged in foreign currency exchange hedging transactions to manage our foreign currency exposure. If and when we do engage in foreign currency exchange hedging transactions, we cannot assure that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

### **Item 8. *Financial Statements and Supplementary Data***

Reference is made to the financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this report, which financial statements, notes, and report are incorporated herein by reference.

### **Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

### **Item 9A. *Controls and Procedures***

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed by us in Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Controls**

During the quarter ended September 30, 2011, there were no changes in our internal controls over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on the Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Although our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of

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any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **CEO and CFO Certifications**

Exhibits 31.1 and 31.2 are the Certifications of the Chief Executive Officer and Chief Financial Officer, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certifications ). This Item of this report, which you are currently reading is the information concerning the Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of September 30, 2011 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control - Integrated Framework*. Based on its evaluation, our management concluded that its internal control over financial reporting was effective as of September 30, 2011.

Our internal control over financial reporting as of September 30, 2011 has been audited by Ernst and Young LLP, an independent registered public accounting firm, as stated in their report which appears below.

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**Report of Independent Registered Certified Public Accounting Firm**

**The Board of Directors and Stockholders**

**MarineMax, Inc.**

We have audited MarineMax, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). MarineMax, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, MarineMax, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MarineMax, Inc. and subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2011 of MarineMax, Inc. and subsidiaries and our report dated December 8, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Tampa, Florida

December 8, 2011



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**PART III**

**Item 10. *Directors, Executive Officers, and Corporate Governance***

The information required by this Item relating to our directors is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption *Corporate Governance* ) to be filed pursuant to Regulation 14A of the Exchange Act for our 2012 Annual Meeting of Stockholders. The information required by this Item relating to our executive officers is included in *Business Executive Officers*.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, and other senior accounting personnel. The *Code of Ethics for the CEO and Senior Financial Officers* is located on our website at [www.MarineMax.com](http://www.MarineMax.com) in the Investor Relations section under *Corporate Governance*.

We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

**Item 11. *Executive Compensation***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption *Executive Compensation* ) to be filed pursuant to Regulation 14A of the Exchange Act for our 2012 Annual Meeting of Stockholders.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption *Security Ownership of Principal Stockholders, Directors, and Officers* ) to be filed pursuant to Regulation 14A of the Exchange Act for our 2012 Annual Meeting of Stockholders.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption *Certain Relationships and Related Transactions* ) to be filed pursuant to Regulation 14A of the Exchange Act for our 2012 Annual Meeting of Stockholders.

**Item 14. *Principal Accountant Fees and Services***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption *Ratification of Appointment of Independent Auditor* ) to be filed pursuant to Regulation 14A of the Exchange Act for our 2012 Annual Meeting of Stockholders.

**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

**(a) *Financial Statements and Financial Statement Schedules***

(1) Financial Statements are listed in the Index to Consolidated Financial Statements on page F-1 of this report.

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(2) No financial statement schedules are included because such schedules are not applicable, are not required, or because required information is included in the consolidated financial statements or notes thereto.

**Table of Contents****(b) Exhibits**

| <b>Exhibit Number</b> | <b>Exhibit</b>   |
|-----------------------|--|
| 3.1                   | Restated Certificate of Incorporation of the Registrant, including all amendments to date(1)   |
| 3.1(a)                | Certificate of Amendment of Restricted Certificate of Incorporation of the Registrant(2)   |
| 3.2                   | Third Amended and Restated Bylaws of the Registrant(3)   |
| 3.3                   | Certificate of Designation of Series A Junior Participating Preferred Stock(1)   |
| 4.1                   | Specimen of Common Stock Certificate(1)  |
| 10.3(h)               | Employment Agreement between Registrant and William H. McGill Jr.(4)   |
| 10.3(i)               | Employment Agreement between Registrant and Michael H. McLamb(4)   |
| 10.3(j)               | Employment Agreement between Registrant and Edward A. Russell(4)   |
| 10.4                  | 1998 Incentive Stock Plan, as amended through February 27, 2001(5)   |
| 10.5                  | 1998 Employee Stock Purchase Plan(6)   |
| 10.18                 | Hatteras Sales and Service Agreement, effective August 1, 2006 among the Registrant, MarineMax Motor Yachts, LLC, and Hatteras Yachts Division of Brunswick Corporation(7)   |
| 10.20                 | Agreement Relating to Acquisitions between Registrant and Brunswick Corporation, dated December 7, 2005(8)   |
| 10.20(a)              | Sea Ray Sales and Service Agreement(8)   |
| 10.21(f)              | Inventory Financing Agreement executed on June 24, 2010, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(9)                               |
| 10.21(g)              | Program Terms Letter executed on June 24, 2010, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(9)  |
| 10.21(h)              | Amendment Number One to Inventory Financing Agreement, executed on December 17, 2010, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(10) |
| 10.21(i)              | Amendment Number One to Program Terms Letter, executed on December 17, 2010, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(10)          |
| 10.21(j)              | Amendment Number Two to Inventory Financing Agreement, executed on June 1, 2011, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(11)      |
| 10.21(k)              | Amendment Number Two to Program Terms Letter, executed on June 1, 2011, among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance Corporation, as Lender.(11)               |
| 10.22                 | MarineMax, Inc. 2007 Incentive Compensation Plan(12)   |
| 10.23                 | Form Stock Option Agreement for 2007 Incentive Compensation Plan(12)   |
| 10.24                 | Form Restricted Stock Unit Award Agreement for 2007 Incentive Compensation Plan(12)  |
| 10.25                 | Director Fee Share Purchase Program(13)  |
| 10.26                 | Floor Plan Loan Agreement executed on October 7, 2010, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and CGI Finance, Inc., as Lender.(14)  |
| 10.26(a)              | Notice of Extension to Floor Plan Loan Agreement executed on September 15, 2011, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and CGI Finance, Inc., as Lender.                                |
| 10.27                 | Floor Plan Credit Loan Note executed on October 7, 2010, by MarineMax, Inc. and its subsidiaries, as Borrowers, payable to CGI Finance, Inc., as Lender.(14)   |
| 10.28                 | Pledge and Security Agreement executed on October 7, 2010, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and CGI Finance, Inc., as Lender.(14)  |
| 10.29(a)              | MarineMax, Inc. 2011 Stock-Based Compensation Plan(15)   |
| 10.29(b)              | Form Stock Option Agreement for 2011 Stock-Based Compensation Plan(15)   |

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| <b>Exhibit<br/>Number</b> | <b>Exhibit</b>   |
|---------------------------|--|
| 10.29(c)                  | Form Restricted Stock Unit Award Agreement for 2011 Stock-Based Compensation Plan(15)  |
| 21                        | List of Subsidiaries   |
| 23.1                      | Consent of Ernst & Young LLP   |
| 31.1                      | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2                      | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 32.1                      | Certification pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                       |
| 32.2                      | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                    |
| 101.INS*                  | XBRL Instance Document   |
| 101.SCH*                  | XBRL Taxonomy Extension Schema Document  |
| 101.CAL*                  | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.LAB*                  | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE*                  | XBRL Taxonomy Extension Presentation Linkbase Document   |
| 101.DEF*                  | XBRL Taxonomy Extension Definition Linkbase Document   |

Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

- (1) Incorporated by reference to Registration Statement on Form 10-K for the year ended September 30, 2001, as filed on December 20, 2001.
- (2) Incorporated by reference to Registrant's Form 8-K as filed February 19, 2010.
- (3) Incorporated by reference to Registrant's Form 8-K as filed on June 16, 2011.
- (4) Incorporated by reference to Registrant's Form 8-K as filed on June 13, 2006.
- (5) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2001, as filed on February 14, 2002.
- (6) Incorporated by reference to Registration Statement on Form S-1 (Registration 333-47873) as filed on March 12, 1998.
- (7) Incorporated by reference to Registrant's Form 10-Q/A for the quarterly period ended March 31, 2007, as filed on September 23, 2008.

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- (8) Incorporated by reference to Registrant's Form 8-K as filed on December 9, 2005.
- (9) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 30, 2010, as filed on August 9, 2010.
- (10) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2010, as filed on February 8, 2011.
- (11) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 30, 2011, as filed on August 5, 2011.
- (12) Incorporated by reference to Registrant's Form 8-K as filed on March 6, 2007.
- (13) Incorporated by reference to Registrant's Form S-8 (File No. 333-141657) as filed March 29, 2007.

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(14) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2010, as filed on December 2, 2010.

(15) Incorporated by reference to Registrant's Form 8-K as filed on January 25, 2011.

**(c) Financial Statements Schedules**

(1) See Item 15(a) above.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MARINEMAX, INC.**

/s/ William H. McGill Jr.  
William H. McGill Jr.

Chairman of the Board and Chief Executive Officer

Date: December 8, 2011

In accordance with the Securities Exchange Act of 1934, the following persons on behalf of the registrant and in the capacities and on the date indicated have signed this report below.

| Signature  | Capacity   | Date             |
|--|--|------------------|
| /s/ William H. McGill Jr.<br>William H. McGill Jr. | Chairman of the Board, President, and<br>Chief Executive Officer<br>(Principal Executive Officer)                                | December 8, 2011 |
| /s/ Michael H. McLamb<br>Michael H. McLamb         | Executive Vice President, Chief Financial<br>Officer, Secretary, and Director<br>(Principal Accounting and<br>Financial Officer) | December 8, 2011 |
| /s/ Hilliard M. Eure III<br>Hilliard M. Eure III   | Director   | December 8, 2011 |
| /s/ John B. Furman<br>John B. Furman               | Director   | December 8, 2011 |
| /s/ Robert S. Kant<br>Robert S. Kant               | Director   | December 8, 2011 |
| /s/ Russell J. Knittel<br>Russell J. Knittel       | Director   | December 8, 2011 |
| /s/ Joseph A. Watters<br>Joseph A. Watters         | Director   | December 8, 2011 |

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/s/ Dean S. Woodman

Director

December 8, 2011

Dean S. Woodman



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**MARINEMAX, INC. AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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| <u>Consolidated Balance Sheets</u>                                       | F-3         |
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**Report of Independent Registered Certified Public Accounting Firm**

**The Board of Directors and Stockholders**

**MarineMax, Inc.**

We have audited the accompanying consolidated balance sheets of MarineMax, Inc. and subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MarineMax, Inc. and subsidiaries at September 30, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MarineMax, Inc. and subsidiaries' internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 8, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Tampa, Florida

December 8, 2011

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands except share and per share data)

|   | September 30,<br>2010 | September 30,<br>2011 |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| <b>CURRENT ASSETS:</b>  |                       |                       |
| Cash and cash equivalents   | \$ 16,539             | \$ 19,386             |
| Accounts receivable, net  | 22,774                | 16,345                |
| Inventories, net  | 188,724               | 219,632               |
| Prepaid expenses and other current assets   | 4,998                 | 4,588                 |
| <b>Total current assets</b>   | <b>233,035</b>        | <b>259,951</b>        |
| Property and equipment, net   | 102,171               | 102,107               |
| Other long-term assets  | 1,554                 | 1,071                 |
| <b>Total assets</b>   | <b>\$ 336,760</b>     | <b>\$ 363,129</b>     |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                       |                       |
| <b>CURRENT LIABILITIES:</b>   |                       |                       |
| Accounts payable  | \$ 7,002              | \$ 8,642              |
| Customer deposits   | 5,412                 | 9,085                 |
| Accrued expenses  | 24,724                | 25,678                |
| Short-term borrowings   | 93,844                | 118,828               |
| <b>Total current liabilities</b>  | <b>130,982</b>        | <b>162,233</b>        |
| Long-term liabilities   | 3,748                 | 5,896                 |
| <b>Total liabilities</b>  | <b>134,730</b>        | <b>168,129</b>        |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                       |                       |
| <b>STOCKHOLDERS EQUITY:</b>   |                       |                       |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding at September 30, 2010 and 2011   |                       |                       |
| Common stock, \$.001 par value; 40,000,000 shares authorized, 22,938,938 and 23,303,100 shares issued and 22,148,038 and 22,512,200 shares outstanding at September 30, 2010 and 2011, respectively | 23                    | 23                    |
| Additional paid-in capital  | 206,548               | 211,041               |
| Retained earnings (accumulated deficit)   | 11,269                | (254)                 |
| Treasury stock, at cost, 790,900 shares held at September 30, 2010 and 2011   | (15,810)              | (15,810)              |
| <b>Total stockholders equity</b>  | <b>202,030</b>        | <b>195,000</b>        |
| <b>Total liabilities and stockholders equity</b>  | <b>\$ 336,760</b>     | <b>\$ 363,129</b>     |

See accompanying notes to consolidated financial statements.

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands except share and per share data)

|  | For the Year Ended September 30, |            |             |
|--|----------------------------------|------------|-------------|
|  | 2009                             | 2010       | 2011        |
| Revenue  | \$ 588,585                       | \$ 450,340 | \$ 480,894  |
| Cost of sales  | 499,925                          | 339,533    | 361,400     |
| Gross profit   | 88,660                           | 110,807    | 119,494     |
| Selling, general, and administrative expenses  | 159,998                          | 123,972    | 127,896     |
| Loss from operations   | (71,338)                         | (13,165)   | (8,402)     |
| Interest expense   | 14,064                           | 3,926      | 3,488       |
| Loss before income tax benefit   | (85,402)                         | (17,091)   | (11,890)    |
| Income tax benefit   | 8,630                            | 19,588     | 367         |
| Net (loss) income  | \$ (76,772)                      | \$ 2,497   | \$ (11,523) |
| Basic net (loss) income per common share   | \$ (4.11)                        | \$ 0.11    | \$ (0.52)   |
| Diluted net (loss) income per common share   | \$ (4.11)                        | \$ 0.11    | \$ (0.52)   |
| Weighted average number of common shares used in computing net (loss) income per common share: |                                  |            |             |
| Basic  | 18,685,423                       | 21,998,743 | 22,375,271  |
| Diluted  | 18,685,423                       | 22,597,953 | 22,375,271  |

See accompanying notes to consolidated financial statements.

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Amounts in thousands except share data)

|   | Common Stock |        | Additional<br>Paid-in<br>Capital | Retained                 | Treasury<br>Stock | Total<br>Stockholders<br>Equity |
|---|--------------|--------|----------------------------------|--------------------------|-------------------|---------------------------------|
|   | Shares       | Amount |                                  | (Accumulated<br>Deficit) |                   |                                 |
| BALANCE, September 30, 2008   | 19,215,387   | \$ 19  | \$ 178,830                       | \$ 85,544                | \$ (15,810)       | \$ 248,583                      |
| Net loss  |              |        |                                  | (76,772)                 |                   | (76,772)                        |
| Shares issued pursuant to employee stock purchase plan              | 198,298      |        | 630                              |                          |                   | 630                             |
| Shares issued upon vesting of equity awards, net of tax withholding | 45,407       |        | 74                               |                          |                   | 74                              |
| Shares issued upon exercise of stock options                        | 20,554       |        | 62                               |                          |                   | 62                              |
| Issuance of common stock  | 2,990,000    | 3      | 19,611                           |                          |                   | 19,614                          |
| Stock-based compensation  | 27,013       |        | 5,565                            |                          |                   | 5,565                           |
| BALANCE, September 30, 2009   | 22,496,659   | 22     | 204,772                          | 8,772                    | (15,810)          | 197,756                         |
| Net income  |              |        |                                  | 2,497                    |                   | 2,497                           |
| Shares issued pursuant to employee stock purchase plan              | 172,371      |        | 483                              |                          |                   | 483                             |
| Shares issued upon vesting of equity awards, net of tax withholding | 61,624       |        | (177)                            |                          |                   | (177)                           |
| Shares issued upon exercise of stock options                        | 185,834      | 1      | 922                              |                          |                   | 923                             |
| Stock-based compensation  | 22,450       |        | 529                              |                          |                   | 529                             |
| Tax benefits of options exercised                                   |              |        | 19                               |                          |                   | 19                              |
| BALANCE, September 30, 2010   | 22,938,938   | 23     | 206,548                          | 11,269                   | (15,810)          | 202,030                         |
| Net loss  |              |        |                                  | (11,523)                 |                   | (11,523)                        |
| Shares issued pursuant to employee stock purchase plan              | 81,615       |        | 488                              |                          |                   | 488                             |
| Shares issued upon vesting of equity awards, net of tax withholding | 70,389       |        | (191)                            |                          |                   | (191)                           |
| Shares issued upon exercise of stock options                        | 195,792      |        | 948                              |                          |                   | 948                             |
| Stock-based compensation  | 16,366       |        | 3,248                            |                          |                   | 3,248                           |
| BALANCE, September 30, 2011   | 23,303,100   | \$ 23  | \$ 211,041                       | \$ (254)                 | \$ (15,810)       | \$ 195,000                      |

See accompanying notes to consolidated financial statements.

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

|   | For the Year Ended September 30, |                |              |
|---|----------------------------------|----------------|--------------|
|   | 2009                             | 2010           | 2011         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                  |                |              |
| Net (loss) income   | \$ (76,772)                      | \$ 2,497       | \$ (11,523)  |
| Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:  |                                  |                |              |
| Depreciation and amortization   | 10,969                           | 7,357          | 6,615        |
| Deferred income tax provision   | 1,513                            |                |              |
| (Gain) loss on sale of property and equipment   | (64)                             | 357            | 21           |
| Stock-based compensation expense, net   | 5,565                            | 529            | 3,248        |
| Loss on extinguishment and modification of debt and short-term borrowings                           | 492                              | 1,023          |              |
| Tax benefits from options exercised   |                                  | 19             |              |
| Excess tax benefits from stock-based compensation   |                                  | (19)           |              |
| (Increase) decrease in  |                                  |                |              |
| Accounts receivable, net  | (6,566)                          | 12,723         | 6,429        |
| Income tax receivable   | (3,239)                          | 9,983          |              |
| Inventories, net  | 262,695                          | 17,210         | (28,660)     |
| Prepaid expenses and other assets   | 1,362                            | 1,539          | 775          |
| Increase (decrease) in  |                                  |                |              |
| Accounts payable  | 11,366                           | (8,845)        | 1,640        |
| Customer deposits   | (1,623)                          | 530            | 3,673        |
| Accrued expenses and long-term liabilities  | 3,405                            | (4,687)        | 3,102        |
| Net cash provided by (used in) operating activities   | 209,103                          | 40,216         | (14,680)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                  |                |              |
| Purchases of property and equipment   | (2,101)                          | (4,159)        | (6,585)      |
| Net cash used to acquire inventory and equipment of a business                                      |                                  |                | (2,258)      |
| Proceeds from sale of property and equipment  | 240                              | 2,166          | 151          |
| Net cash used in investing activities   | (1,861)                          | (1,993)        | (8,692)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                                  |                |              |
| Net (repayments) borrowings on short-term borrowings  | (230,000)                        | (48,156)       | 24,984       |
| Excess tax benefits from stock-based compensation   |                                  | 19             |              |
| Debt modification costs   | (2,378)                          | (284)          | (10)         |
| Net proceeds from issuance of common stock  | 19,614                           |                |              |
| Net proceeds from issuance of common stock under incentive compensation and employee purchase plans | 766                              | 1,229          | 1,245        |
| Net cash (used in) provided by financing activities   | (211,998)                        | (47,192)       | 26,219       |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS:</b>  | <b>(4,756)</b>                   | <b>(8,969)</b> | <b>2,847</b> |
| CASH AND CASH EQUIVALENTS, beginning of period  | 30,264                           | 25,508         | 16,539       |
| CASH AND CASH EQUIVALENTS, end of period  | \$ 25,508                        | \$ 16,539      | \$ 19,386    |

## Supplemental Disclosures of Cash Flow Information:

Cash paid for:

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|              |        |       |       |
|--------------|--------|-------|-------|
| Interest     | 14,493 | 4,469 | 3,261 |
| Income taxes |        | 31    | 31    |

See accompanying notes to consolidated financial statements.

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**MARINEMAX, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. COMPANY BACKGROUND AND BASIS OF PRESENTATION:**

We are the largest recreational boat retailer in the United States. We engage primarily in the retail sale, brokerage, and service of new and used boats, motors, trailers, marine parts and accessories and offer slip and storage accommodations in certain locations. In addition, we arrange related boat financing, insurance, and extended service contracts. We recently implemented programs to increase substantially our sale over the Internet of used boats and a wide range of boating parts, accessories, supplies, and products; the sale at various offsite locations of used boats, boating parts, and accessories, as well as the offer of F&I products; and the charter of power and sailing yachts. None of these programs has had a material effect on our financial statements. As of September 30, 2011, we operated through 54 retail locations in 19 states, consisting of Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Bayliner, Meridian, Cabo, and Hatteras recreational boats and yachts, all of which are manufactured by Brunswick Corporation ( Brunswick ). Sales of new Brunswick boats accounted for approximately 48% of our revenue in fiscal 2011. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe we represented in excess of 7% of all Brunswick marine sales, including approximately 41% of its Sea Ray boat sales, during our 2011 fiscal year.

We have dealership agreements with Sea Ray, Boston Whaler, Bayliner, Cabo, Hatteras, Meridian, and Mercury Marine, all subsidiaries or divisions of Brunswick. We also have dealer agreements with Azimut Yachts. These agreements allow us to purchase, stock, sell, and service these manufacturers' boats and products. These agreements also allow us to use these manufacturers' names, trade symbols, and intellectual properties in our operations.

We are a party to a multi-year dealer agreement with Brunswick covering Sea Ray products that appoints us as the exclusive dealer of Sea Ray boats in our geographic markets. We are the exclusive dealer for Boston Whaler and Bayliner through a multi-year dealer agreement for many of our geographic markets. We are a party to a multi-year dealer agreement with Hatteras Yachts that gives us the exclusive right to sell Hatteras Yachts throughout the states of Florida (excluding the Florida panhandle), New Jersey, New York, and Texas. We are also the exclusive dealer for Cabo Yachts throughout the states of Florida, New Jersey, and New York through a multi-year dealer agreement. In addition, we are the exclusive dealer for Italy-based Azimut-Benetti Group's product line, Azimut Yachts, for the Northeast United States from Maryland to Maine and for the state of Florida through a multi-year dealer agreement. We believe non-Brunswick brands offer a migration for our existing customer base or fill a void in our product offerings, and accordingly, do not compete with the business generated from our other prominent brands.

As is typical in the industry, we deal with manufacturers, other than Sea Ray, Boston Whaler, Bayliner, Hatteras, Cabo, and Azimut Yachts, under renewable annual dealer agreements, each of which gives us the right to sell various makes and models of boats within a given geographic region. Any change or termination of these agreements, or the agreements discussed above, for any reason, or changes in competitive, regulatory, or marketing practices, including rebate or incentive programs, could adversely affect our results of operations. Although there are a limited number of manufacturers of the type of boats and products that we sell, we believe that adequate alternative sources would be available to replace any manufacturer other than Sea Ray as a product source. These alternative sources may not be available at the time of any interruption, and alternative products may not be available at comparable terms, which could affect operating results adversely.

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated 45%,



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**MARINEMAX, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

54%, and 50% of our revenue during fiscal 2009, 2010, and 2011, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, inclement weather, and environmental conditions, such as the BP oil spill in the Gulf of Mexico, also could adversely affect our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. Although we have expanded our operations during periods of stagnant or modestly declining industry trends, the cyclical nature of the recreational boating industry or the lack of industry growth may adversely affect our business, financial condition, and results of operations. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

Lower consumer spending resulting from a downturn in the housing market and other economic factors adversely affected our business in fiscal 2007 and continued weakness in consumer spending resulting from substantial weakness in the financial markets and deteriorating economic conditions had a very substantial negative effect on our business in fiscal 2008, 2009, 2010, and 2011. These conditions caused us to defer our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close a number of our retail locations, reduce our headcount, and amend and replace our credit facility. Acquisitions and new store openings remain important strategies to our company, and we plan to resume our growth through these strategies when more normal economic conditions return. However, we cannot predict the length or severity of these unfavorable economic or financial conditions or the extent to which they will continue to adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary.

In order to provide comparability between periods presented, certain amounts have been reclassified from the previously reported consolidated financial statements to conform to the consolidated financial statement presentation of the current period. The consolidated financial statements include our accounts and the accounts of our subsidiaries, all of which are wholly owned. All significant intercompany transactions and accounts have been eliminated.

**2. SIGNIFICANT ACCOUNTING POLICIES:**

**Cash and Cash Equivalents**

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Vendor Consideration Received**

We account for consideration received from our vendors in accordance with FASB Accounting Standards Codification 605-50, Revenue Recognition, Customer Payments and Incentives (ASC 605-50). ASC 605-50 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 605-50, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses.

**Inventories**

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

inventory for sale. We state new boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state used boat, motor, and trailer inventories, including trade-ins, at the lower of cost, determined on a specific-identification basis, or market. We state parts and accessories at the lower of cost, determined on an average cost basis, or market. We utilize our historical experience, the aging of the inventories, and our consideration of current market trends as the basis for determining a lower of cost or market valuation allowance. As of September 30, 2010 and 2011, our lower of cost or market valuation allowance was \$7.3 million and \$3.4 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the lower of cost or market valuation allowance could increase.

**Property and Equipment**

We record property and equipment at cost, net of accumulated depreciation, and depreciate property and equipment over their estimated useful lives using the straight-line method. We capitalize and amortize leasehold improvements over the lesser of the life of the lease or the estimated useful life of the asset. Useful lives for purposes of computing depreciation are as follows:

|                            | <b>Years</b> |
|----------------------------|--------------|
| Buildings and improvements | 5-40         |
| Machinery and equipment    | 3-10         |
| Furniture and fixtures     | 5-10         |
| Vehicles                   | 3-5          |

We remove the cost of property and equipment sold or retired and the related accumulated depreciation from the accounts at the time of disposition and include any resulting gain or loss in the consolidated statements of operations. We charge maintenance, repairs, and minor replacements to operations as incurred, and we capitalize and amortize major replacements and improvements over their useful lives.

**Impairment of Long-Lived Assets**

FASB Accounting Standards Codification 360-10-40, Property, Plant, and Equipment, Impairment or Disposal of Long-Lived Assets (ASC 360-10-40), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. As of September 30, 2011, we had not recognized any impairment of long-lived assets in connection with ASC 360-10-40 based on our reviews.

**Customer Deposits**

Customer deposits primarily include amounts received from customers toward the purchase of boats. We recognize these deposits as revenue upon delivery to or acceptance by of the related boats to customers.

**Insurance**

We retain varying levels of risk relating to the insurance policies we maintain, most significantly workers compensation insurance and employee medical benefits. We are responsible for the claims and losses incurred

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

under these programs, limited by per occurrence deductibles and paid claims or losses up to pre-determined maximum exposure limits. Our third-party insurance carriers pay any losses above the pre-determined exposure limits. We estimate our liability for incurred but not reported losses using our historical loss experience, our judgment, and industry information.

**Revenue Recognition**

We recognize revenue from boat, motor, and trailer sales and parts and service operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or the service is completed. We recognize deferred revenue from service operations and slip and storage services on a straight-line basis over the term of the contract or when service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when we recognize the related boat sales. We recognize marketing fees earned on credit life, accident, disability, and hull insurance products sold by third-party insurance companies at the later of customer acceptance of the insurance product as evidenced by contract execution or when the related boat sale is recognized. Pursuant to negotiated agreements with financial and insurance institutions, we are charged back for a portion of these fees should the customer terminate or default on the related finance or insurance contract before it is outstanding for a stipulated minimum period of time. We base the chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2010 or 2011, on our experience with repayments or defaults on the related finance or insurance contracts.

We also recognize commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale. We are charged back for a portion of these commissions should the customer terminate or default on the service contract prior to its scheduled maturity. We determine the chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2010 or 2011, based upon our experience with terminations or defaults on the service contracts.

The following table sets forth percentages of our revenue generated by certain products and services, for each of last three fiscal years.

|   | 2009   | 2010   | 2011   |
|---|--------|--------|--------|
| New boat sales                            | 60.7%  | 54.4%  | 60.6%  |
| Used boat sales                           | 22.5%  | 24.0%  | 19.0%  |
| Maintenance, repair, and storage services | 7.9%   | 9.8%   | 8.9%   |
| Finance and insurance products            | 2.7%   | 2.7%   | 2.7%   |
| Parts and accessories                     | 5.0%   | 6.4%   | 6.2%   |
| Brokerage services                        | 1.2%   | 2.7%   | 2.6%   |
| Total Revenue                             | 100.0% | 100.0% | 100.0% |

**Stock-Based Compensation**

We account for our share-based compensation plans following the provisions of FASB Accounting Standards Codification 718, Compensation Stock Compensation (ASC 718). In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares purchased under the Employee Stock Purchase Plan. We measure compensation for restricted stock awards and restricted stock units at fair value on the grant date based on the number of shares expected to vest and the quoted market price of our common stock. For restricted stock units with market conditions, we utilize a Monte Carlo simulation embedded

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**MARINEMAX, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

in a lattice model to determine the fair value. We recognize compensation cost for all awards in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

**Advertising and Promotional Costs**

We expense advertising and promotional costs as incurred and include them in selling, general, and administrative expenses in the accompanying consolidated statements of operations. Pursuant to ASC 605-50, we net amounts received by us under our co-op assistance programs from our manufacturers against the related advertising expenses. Total advertising and promotional expenses approximated \$9.4 million, \$8.5 million, and \$11.2 million, net of related co-op assistance of approximately \$526,000, \$334,000, and \$364,000, for the fiscal years ended September 30, 2009, 2010, and 2011, respectively.

**Income Taxes**

We account for income taxes in accordance with FASB Accounting Standards Codification 740, *Income Taxes* (ASC 740). Under ASC 740, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized by considering all available positive and negative evidence.

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets, including past operating results and future sources of taxable income. Under the provisions of ASC 740-10, we determined that our net deferred tax asset needed to be fully reserved given recent earnings and industry trends.

The Worker, Homeownership, and Business Assistance Act of 2009 was signed into law in November 2009. This act allowed us to carryback our 2009 net operating loss, which had a valuation allowance recorded against the entire amount and which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. The tax refund was recorded as income tax benefit during our quarter ended December 31, 2009, the period in which this act was enacted. We filed a carryback claim with the Internal Revenue Service, and we received a \$19.2 million refund in the quarter ended March 31, 2010.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to our cash and cash equivalents are limited primarily to amounts held with financial institutions. Concentrations of credit risk arising from our receivables are limited primarily to amounts due from manufacturers and financial institutions.

**Fair Value of Financial Instruments**

The carrying amount of our financial instruments approximates fair value due either to length to maturity or existence of interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

**Use of Estimates and Assumptions**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of



**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by us in the accompanying consolidated financial statements relate to valuation allowances, valuation of long-lived assets, and valuation of accruals. Actual results could differ materially from those estimates.

**3. ACCOUNTS RECEIVABLE:**

Trade receivables consist primarily of receivables from financial institutions, which provide funding for customer boat financing and amounts due from financial institutions earned from arranging financing with our customers. We normally collect these receivables within 30 days of the sale. Trade receivables also include amounts due from customers on the sale of boats, parts, service, and storage. Amounts due from manufacturers represent receivables for various manufacturer programs and parts and service work performed pursuant to the manufacturers warranties.

The allowance for uncollectible receivables, which was not material to the consolidated financial statements as of September 30, 2010 or 2011, was based on our consideration of customer payment practices, past transaction history with customers, and economic conditions. When an account becomes uncollectable, we expense it as a bad debt and we credit payments subsequently received to the bad debt expense account. We review the allowance for uncollectible receivables when an event or other change in circumstances results in a change in the estimate of the ultimate collectability of a specific account.

Accounts receivable, net consisted of the following at September 30,

|                                | 2010                   | 2011      |
|--------------------------------|------------------------|-----------|
|                                | (Amounts in thousands) |           |
| Trade receivables              | \$ 10,415              | \$ 10,694 |
| Amounts due from manufacturers | 12,021                 | 5,393     |
| Other receivables              | 338                    | 258       |
|                                | \$ 22,774              | \$ 16,345 |

**4. INVENTORIES:**

Inventories, net consisted of the following at September 30,

|                                  | 2010                   | 2011       |
|----------------------------------|------------------------|------------|
|                                  | (Amounts in thousands) |            |
| New boats, motors, and trailers  | \$ 166,282             | \$ 189,232 |
| Used boats, motors, and trailers | 16,737                 | 24,096     |
| Parts, accessories, and other    | 5,705                  | 6,304      |
|                                  | \$ 188,724             | \$ 219,632 |



**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following at September 30,

|  | <b>2010</b>                   | <b>2011</b> |
|--|-------------------------------|-------------|
|  | <b>(Amounts in thousands)</b> |             |
| Land   | \$ 43,329                     | \$ 43,049   |
| Buildings and improvements                     | 78,482                        | 79,708      |
| Machinery and equipment                        | 26,536                        | 25,976      |
| Furniture and fixtures                         | 4,680                         | 4,083       |
| Vehicles                                       | 5,165                         | 5,241       |
|  | 158,192                       | 158,057     |
| Less Accumulated depreciation and amortization | (56,021)                      | (55,950)    |
|  | \$ 102,171                    | \$ 102,107  |

Depreciation and amortization expense on property and equipment totaled approximately \$10.4 million, \$6.6 million, and \$6.5 million for the fiscal years ended September 30, 2009, 2010, and 2011, respectively.

During fiscal 2011, we reclassified approximately \$2.5 million from prepaid expenses and other current assets to property and equipment related to a store previously classified as available for sale within the consolidated balance sheets as we plan to lease the facility. In accordance with FASB Accounting Standards Codification 360, Property, Plant, and Equipment, we reduced the carrying amount by approximately \$90,000 for the depreciation that would have been recognized had the store been continuously classified as held and used.

**6. OTHER LONG-TERM ASSETS:**

During February 2006, we became party to a joint venture with Brunswick that acquired certain real estate and assets of Great American Marina for an aggregate purchase price of approximately \$11.0 million, of which we contributed approximately \$4.0 million and Brunswick contributed approximately \$7.0 million. The terms of the agreement specify that we operate and maintain the service business and that Brunswick operate and maintain the marina business. Simultaneously with the closing, the acquired entity became Gulfport Marina, LLC (Gulfport). We account for our investment in Gulfport in accordance with FASB Accounting Standards Codification 323, Investment Equity Method and Joint Venture. Accordingly, we adjust the carrying amount of our investment in Gulfport to recognize our share of earnings or losses, based on the service business we operate.

**7. SHORT-TERM BORROWINGS:**

In June 2011, we entered into an amendment to our Inventory Financing Agreement (the Credit Facility), originally entered into in June 2010 with GE Commercial Distribution Finance Company (GECDF), as amended in December 2010. The June 2011 amendment, among other things, modified the amount of borrowing availability, interest rate, and maturity date of the Credit Facility. The amended Credit Facility provides a floor plan financing commitment up to \$150 million, up from the previous limit of \$100 million, subject to borrowing base availability resulting from the amount and aging of our inventory. The amended Credit Facility matures in June 2014, subject to extension for two one-year periods, with the approval of GECDF.

The amended Credit Facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. At September 30, 2011, we were in compliance with



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all of the covenants under the amended Credit Facility. The interest rate for amounts outstanding under the amended Credit Facility is 383 basis points above the one-month London Inter-Bank Offering Rate ( LIBOR ). There is an unused line fee of ten basis points on the unused portion of the amended Credit Facility.

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**MARINEMAX, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Advances under the amended Credit Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that have been partially paid-off. Advances on new inventory mature 1,081 days from the original invoice date. Advances on used inventory mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type and value of the inventory. The collateral for the amended Credit Facility is all of our personal property with certain limited exceptions. None of our real estate has been pledged for collateral for the amended Credit Facility.

In September 2011, we entered into an extension through August 31, 2012 to our Inventory Financing Agreement (the CGI Facility), originally entered into in October 2010 with CGI Finance, Inc. The CGI Facility provides a floor plan financing commitment of \$30 million and is designed to provide financing for our Azimut inventory needs. The CGI Facility has an approximate one-year term, which is typical in the industry for similar floor plan facilities; however, each advance under the CGI Facility can remain outstanding for 18 months. The interest rate for amounts outstanding under the CGI Facility is 350 basis points above the one-month LIBOR.

Advances under the CGI Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that has been partially paid-off. Advances on new inventory mature 550 days from the advance date. Advances on used inventory mature 366 days from the advance date. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis, starting after six months for used inventory and one year for new inventory. The curtailment schedule varies based on the type of inventory.

The collateral for the CGI Facility is our entire Azimut inventory financed by the CGI Facility with certain limited exceptions. None of our real estate has been pledged as collateral for the CGI Facility. We must maintain compliance with certain financial covenants as specified in the CGI Facility. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. At September 30, 2011, we were in compliance with all of the covenants under the CGI Facility. The CGI Facility contemplates that other lenders may be added by us to finance other inventory not financed under the CGI Facility, if needed.

The amended Credit Facility and CGI Facility replace our prior \$180 million credit facility that provided for a line of credit with asset-based borrowing availability. The interest rate for amounts outstanding under the prior credit facility was 490 basis points above the one-month LIBOR.

As of September 30, 2010 and 2011, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$93.8 million and \$118.8 million, respectively. At September 30, 2010 and 2011, the interest rate on the outstanding short-term borrowings was 4.0% and 4.0%, respectively. At September 30, 2011, our additional available borrowings under our amended Credit Facility and CGI Facility were approximately \$53.2 million based upon the outstanding borrowing base availability.

As is common in our industry, we receive interest assistance directly from boat manufacturers, including Brunswick. The interest assistance programs vary by manufacturer, but generally include periods of free financing or reduced interest rate programs. The interest assistance may be paid directly to us or our lender depending on the arrangements the manufacturer has established. We classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders.

The availability and costs of borrowed funds can adversely affect our ability to obtain adequate boat inventory and the holding costs of that inventory as well as the ability and willingness of our customers to finance boat purchases. As of September 30, 2011, we had no long-term debt. However, we rely on our amended Credit Facility and CGI Facility to purchase our inventory of boats. The aging of our inventory limits our

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages. Our access to funds under our amended Credit Facility and CGI Facility also depends upon the ability of our lenders to meet their funding commitments, particularly if they experience shortages of capital or experience excessive volumes of borrowing requests from others during a short period of time. A continuation of depressed economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties could interfere with our ability to utilize our amended Credit Facility and CGI Facility to fund our operations. Any inability to utilize our amended Credit Facility or CGI Facility could require us to seek other sources of funding to repay amounts outstanding under the credit agreements or replace or supplement our credit agreements, which may not be possible at all or under commercially reasonable terms.

Similarly, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of our customers to purchase boats from us and thereby adversely affect our ability to sell our products and impact the profitability of our finance and insurance activities. Tight credit conditions, during fiscal 2009, 2010, and 2011, adversely affected the ability of customers to finance boat purchases, which had a negative effect on our operating results.

**8. INCOME TAXES:**

The components of our benefit from income taxes consisted of the following for the fiscal years ended September 30,

|                                 | \$(10,004)<br>2009     | \$(10,004)<br>2010 | \$(10,004)<br>2011 |
|---------------------------------|------------------------|--------------------|--------------------|
|                                 | (Amounts in thousands) |                    |                    |
| <b>Current benefit:</b>         |                        |                    |                    |
| Federal                         | \$ (10,004)            | \$ (19,244)        | \$ (235)           |
| State                           | (139)                  | (344)              | (132)              |
| <b>Total current benefit</b>    | <b>(10,143)</b>        | <b>(19,588)</b>    | <b>(367)</b>       |
| <b>Deferred benefit</b>         |                        |                    |                    |
| Federal                         | 1,380                  |                    |                    |
| State                           | 133                    |                    |                    |
| <b>Total deferred benefit</b>   | <b>1,513</b>           |                    |                    |
| <b>Total income tax benefit</b> | <b>\$ (8,630)</b>      | <b>\$ (19,588)</b> | <b>\$ (367)</b>    |

Below is a reconciliation of the statutory federal income tax rate to our effective tax rate for the fiscal years ended September 30,

|                                    | (35.0)<br>2009 | (35.0)<br>2010 | (35.0)<br>2011 |
|------------------------------------|----------------|----------------|----------------|
| Federal tax provision              | (35.0)%        | (35.0)%        | (35.0)%        |
| State taxes, net of federal effect | (4.0)%         | (8.8)%         | (6.8)%         |
| Stock based compensation           | 0.4%           | 0.5%           | 0.7%           |
| Valuation allowance                | 29.5%          | (71.0)%        | 39.5%          |
| Other                              | (1.0)%         | (0.3)%         | (1.5)%         |

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|                    |         |          |        |
|--------------------|---------|----------|--------|
| Effective tax rate | (10.1)% | (114.6)% | (3.1)% |
|--------------------|---------|----------|--------|

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**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effects of these temporary differences representing the components of deferred tax assets (liabilities) at September 30 were as follows:

|                                   | 2010                   | 2011      |
|-----------------------------------|------------------------|-----------|
|                                   | (Amounts in thousands) |           |
| Current deferred tax assets:      |                        |           |
| Inventories                       | \$ 2,690               | \$ 1,945  |
| Accrued expenses                  | 3,496                  | 2,320     |
| Current deferred tax assets       | 6,186                  | 4,265     |
| Valuation Allowance               | (6,186)                | (4,265)   |
| Net current deferred tax assets   | \$                     | \$        |
| Long-term deferred tax assets:    |                        |           |
| Depreciation and amortization     | \$ 19,142              | \$ 15,509 |
| Stock based compensation          | 4,712                  | 4,524     |
| FIN 48 deferred tax asset         | 547                    | 503       |
| Tax loss carryforwards            | 17,139                 | 25,871    |
| Other                             | 106                    | 106       |
| Long-term deferred tax assets     | 41,646                 | 46,513    |
| Valuation allowance               | (41,646)               | (46,513)  |
| Net long-term deferred tax assets | \$                     | \$        |

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets, including past operating results and future sources of taxable income. Under the provisions of ASC 740, we determined that the entire net deferred tax asset ( DTA ) needed to be reserved given recent earnings and industry trends. The total valuation allowance at September 30, 2010 and 2011 was \$47.8 million and \$50.8 million, respectively.

We have adopted the provisions of FIN 48, now ASC 740. Under ASC 740, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained. As of September 30, 2010 and 2011, we had approximately \$1.7 million and \$1.6 million, respectively, of gross unrecognized tax benefits, of which approximately \$1.2 million and \$1.1 million, respectively, if recognized, would impact the effective tax rate before considering a change in valuation allowance.

The reconciliation of the total amount recorded for unrecognized tax benefits at the beginning and end of the fiscal years ended September 30, 2010 and 2011 is as follows:

|                        |             |
|------------------------|-------------|
| \$1,738                | \$1,738     |
| <b>2010</b>            | <b>2011</b> |
| (Amounts in thousands) |             |

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|  |          |          |
|--|----------|----------|
| Unrecognized tax benefits at the beginning of the year | \$ 1,894 | \$ 1,738 |
| Increases in tax positions for prior years             | 60       | 55       |
| Decreases in tax positions for prior years             | (57)     | (59)     |
| Lapse of statute of limitations                        | (159)    | (153)    |
| Unrecognized tax benefits at September 30,             | \$ 1,738 | \$ 1,581 |

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**MARINEMAX, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Consistent with our prior practices, we recognize interest and penalties related to uncertain tax positions as a component of income tax expense. As of September 30, 2010 and 2011, interest and penalties represented approximately \$663,000 and \$658,000, respectively, of the gross unrecognized tax benefits.

We are subject to tax by both federal and state taxing authorities. Until the respective statutes of limitations expire, we are subject to income tax audits in the jurisdictions in which we operate. We are no longer subject to U.S. federal tax examinations for fiscal years prior to 2009, and we are not subject to audits prior to the 2008 fiscal year for the majority of the state jurisdictions.

It is reasonably possible that a change to the total amount of unrecognized tax benefits could occur in the next 12 months based on examinations by tax authorities, the expiration of statutes of limitations, or potential settlements of outstanding positions. However, we do not expect the change to be significant to the overall balance of unrecognized tax benefits.

**9. STOCKHOLDERS EQUITY:**

In November 2005, our Board of Directors approved a share repurchase plan allowing our company to repurchase up to 1,000,000 shares of our common stock. Under the plan, we may buy back common stock from time to time in the open market or in privately negotiated blocks, dependent upon various factors, including price and availability of the shares, and general market conditions. Through September 30, 2011, we had purchased an aggregate of 790,900 shares of common stock under the plan for an aggregate purchase price of approximately \$15.8 million.

In September 2009, we completed a public offering of 2,990,000 shares of common stock at a price to the public of \$7.00 per share for total gross proceeds of approximately \$20.9 million. The net proceeds of the offering were used to reduce our short-term borrowings and general corporate purposes.

**10. STOCK-BASED COMPENSATION:**

In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares purchased under the Employee Stock Purchase Plan. We measure compensation for restricted stock awards and restricted stock units at fair value on the grant date based on the number of shares expected to vest and the quoted market price of our common stock. For restricted stock units with market conditions, we utilize a Monte Carlo simulation embedded in a lattice model to determine the fair value. We recognize compensation cost for all awards in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

Cash received from option exercises under all share-based compensation arrangements for the fiscal years ended September 30, 2009, 2010, and 2011 was approximately \$766,000, \$1.2 million, and \$1.4 million, respectively. Tax benefits realized for tax deductions from option exercises for the fiscal year ended September 30, 2010 was approximately \$19,000. There were no tax benefits realized for tax deductions from option exercises for the fiscal years ended September 30, 2009 and 2011. We currently expect to satisfy share-based awards with registered shares available to be issued.

**11. THE INCENTIVE STOCK PLANS:**

During January 2011, our stockholders approved a proposal to authorize our 2011 Stock-Based Compensation Plan ( 2011 Plan ), which replaced our 2007 Incentive Compensation Plan ( 2007 Plan ). Our 2011 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, stock units, bonus stock, dividend equivalents, other stock related awards, and performance awards (collectively awards ), that may be settled in cash, stock, or other property. Our 2011 Plan is designed to attract, motivate, retain, and reward our executives, employees, officers, directors, and independent contractors by providing such persons with annual





**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and long-term performance incentives to expend their maximum efforts in the creation of stockholder value. The total number of shares of our common stock that may be subject to awards under the 2011 Plan is equal to 1,000,000 shares, plus (i) any shares available for issuance and not subject to an award under the 2007 Plan, which was 200,456 shares at the time of approval of the 2011 Plan, (ii) the number of shares with respect to which awards granted under the 2011 Plan and the 2007 Plan terminate without the issuance of the shares or where the shares are forfeited or repurchased; (iii) with respect to awards granted under the 2011 Plan and the 2007 Plan, the number of shares that are not issued as a result of the award being settled for cash or otherwise not issued in connection with the exercise or payment of the award; and (iv) the number of shares that are surrendered or withheld in payment of the exercise price of any award or any tax withholding requirements in connection with any award granted under the 2011 Plan and the 2007 Plan. The 2011 Plan terminates in January 2021, and awards may be granted at any time during the life of the 2011 Plan. The date on which awards vest are determined by the Board of Directors or the Plan Administrator. The exercise prices of options are determined by the Board of Directors or the Plan Administrator and are at least equal to the fair market value of shares of common stock on the date of grant. The term of options under the 2011 Plan may not exceed ten years. The options granted have varying vesting periods. To date, we have not settled or been under any obligation to settle any awards in cash.

The following table summarizes option activity from September 30, 2010 through September 30, 2011:

|                                     | Shares<br>Available<br>for Grant | Options<br>Outstanding | Aggregate<br>Intrinsic<br>Value<br>(in thousands) | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life |
|-------------------------------------|----------------------------------|------------------------|---|--|---|
| Balance at September 30, 2010       | 640,952                          | 2,101,881              | \$ 3,713  | \$ 10.27                                 | 6.8   |
| Options authorized                  | 1,000,000                        |                        |   |  |   |
| Options granted                     | (458,350)                        | 458,350                |   | \$ 7.60                                  |   |
| Options cancelled/forfeited/expired | 104,418                          | (104,418)              |   | \$ 10.62                                 |   |
| Restricted stock awards issued      | (62,393)                         |                        |   |  |   |
| Restricted stock awards forfeited   | 277,334                          |                        |   |  |   |
| Options exercised                   |                                  | (195,792)              |   | \$ 4.84                                  |   |
| Balance at September 30, 2011       | 1,501,961                        | 2,260,021              | \$ 2,664  | \$ 10.19                                 | 6.5   |
| Exercisable at September 30, 2011   |                                  | 1,775,568              | \$ 2,520  | \$ 10.75                                 | 5.9   |

The weighted-average grant date fair value of options granted during the fiscal years ended September 30, 2009, 2010, and 2011 was \$1.75, \$5.41, and \$5.15, respectively. The total intrinsic value of options exercised during the fiscal years ended September 30, 2009, 2010, and 2011 was approximately \$54,000, \$969,000, and \$766,000, respectively.

As of September 30, 2010 and 2011, there was approximately \$1.1 million and \$1.0 million, respectively, of unrecognized compensation costs related to non-vested options that are expected to be recognized over a weighted average period of 2.1 years and 3.5 years, respectively. The total fair value of options vested during the fiscal years ended September 30, 2009, 2010, and 2011 was approximately \$1.2 million, \$2.4 million, and \$4.1 million, respectively.

We continued using the Black-Scholes model to estimate the fair value of options granted during fiscal 2011. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.



**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following are the weighted-average assumptions used for the fiscal years ended September 30:

|                         | 2009      | 2010      | 2011      |
|-------------------------|-----------|-----------|-----------|
| Dividend yield          | 0.0%      | 0.0%      | 0.0%      |
| Risk-free interest rate | 2.2%      | 2.3%      | 1.3%      |
| Volatility              | 63.4%     | 85.8%     | 94.9%     |
| Expected life           | 6.0 years | 5.0 years | 4.4 years |

**12. EMPLOYEE STOCK PURCHASE PLAN:**

During February 2008, our stockholders approved our 2008 Employee Stock Purchase Plan ( Stock Purchase Plan ). The Stock Purchase Plan provides for up to 500,000 shares of common stock to be available for purchase by our regular employees who have completed at least one year of continuous service. In addition there were 52,837 shares of common stock available under our 1998 Employee Stock Purchase Plan, which have been made available for issuance under our Stock Purchase Plan. The Stock Purchase Plan provides for implementation of up to 10 annual offerings beginning on the first day of October starting in 2008, with each offering terminating on September 30 of the following year. Each annual offering may be divided into two six-month offerings. For each offering, the purchase price per share will be the lower of (i) 85% of the closing price of the common stock on the first day of the offering or (ii) 85% of the closing price of the common stock on the last day of the offering. The purchase price is paid through periodic payroll deductions not to exceed 10% of the participant's earnings during each offering period. However, no participant may purchase more than \$25,000 worth of common stock annually.

We continued using the Black-Scholes model to estimate the fair value of options granted to purchase shares issued pursuant to the Stock Purchase Plan. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

The following are the weighted-average assumptions used for the fiscal years ended September 30:

|                         | 2009       | 2010       | 2011       |
|-------------------------|------------|------------|------------|
| Dividend yield          | 0.0%       | 0.0%       | 0.0%       |
| Risk-free interest rate | 0.5%       | 0.2%       | 0.2%       |
| Volatility              | 160.4%     | 65.4%      | 48.9%      |
| Expected life           | six months | six months | six months |

As of September 30, 2011, we had issued 436,821 shares of common stock under our Stock Purchase Plan.

**13. RESTRICTED STOCK AWARDS:**

We have granted non-vested (restricted) stock awards or restricted stock units (collectively, restricted stock awards ) to certain key employees pursuant to the 2007 Plan. The restricted stock awards have varying vesting periods, but generally become fully vested at either the end of year four or the end of year five, depending on the specific award. Certain awards granted in fiscal 2008 require certain levels of performance by us after the grant before they are earned. Such performance metrics were required to be achieved by September 2011, and the awards were forfeited. Certain awards granted in fiscal 2010 and 2011 require a minimum level of performance of our stock price compared to an index before they are earned. Such performance metrics must be achieved by September 2012 or 2013, or the awards will be forfeited. The stock underlying the vested restricted stock units will be delivered upon vesting. During fiscal 2010, we reversed approximately \$3.9 million of stock compensation expense, resulting from the performance criteria of certain awards no longer being probable.



**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We accounted for the restricted stock awards granted using the measurement and recognition provisions of ASC 718. Accordingly, the fair value of the restricted stock awards is measured on the grant date and recognized in earnings over the requisite service period for each separately vesting portion of the award.

The following table summarizes restricted stock award activity from September 30, 2010 through September 30, 2011:

|  | Shares    | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--|-----------|---|
| Non-vested balance at September 30, 2010 | 434,169   | \$ 18.31  |
| Changes during the period                |           |   |
| Awards granted                           | 62,393    | \$ 7.59   |
| Awards vested                            | (189,827) | \$ 22.63  |
| Awards forfeited                         | (84,789)  | \$ 14.97  |
| Non-vested balance at September 30, 2011 | 221,946   | \$ 12.88  |

As of September 30, 2011, we had approximately \$645,000 of total unrecognized compensation cost related to non-vested restricted stock awards. We expect to recognize that cost over a weighted-average period of 1.7 years.

**14. NET INCOME/LOSS PER SHARE:**

The following is a reconciliation of the shares used in the denominator for calculating basic and diluted net income/loss per share for the fiscal years ended September 30:

|  | 2009       | 2010       | 2011       |
|--|------------|------------|------------|
| Weighted average common shares outstanding used in calculating basic income (loss) per share             | 18,685,423 | 21,998,743 | 22,375,271 |
| Effect of dilutive options   |            | 599,210    |            |
| Weighted average common and common equivalent shares used in calculating diluted income (loss) per share | 18,685,423 | 22,597,953 | 22,375,271 |

Options to purchase approximately 764,000, 979,000 and 807,000 shares of common stock were outstanding at September 30, 2009, 2010, and 2011, respectively, but were not included in the computation of income (loss) per share because the options' exercise prices were greater than the average market price of our common stock, and therefore, their effect would be anti-dilutive. Accordingly, there is no dilutive effect of shares used in the denominator for calculating basic and diluted income (loss) per share. For the years ended September 30, 2009 and 2011, no options were included in the computation of basic and diluted loss per share because we reported a net loss and the effect of their inclusion would be anti-dilutive.

**15. COMMITMENTS AND CONTINGENCIES:**

**Lease Commitments**

We lease certain land, buildings, machinery, equipment, and vehicles related to our dealerships under non-cancelable third-party operating leases. Certain of our leases include options for renewal periods and provisions for escalation. Rental expenses, including month-to-month rentals, were approximately \$9.2 million, \$6.7 million, and \$6.1 million for the fiscal years ended September 30, 2009, 2010, and 2011, respectively.

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**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Future minimum lease payments under non-cancelable operating leases at September 30, 2011, were as follows:

|              | (Amounts in thousands) |               |
|--------------|------------------------|---------------|
| 2012         | \$                     | 5,783         |
| 2013         |                        | 4,523         |
| 2014         |                        | 3,442         |
| 2015         |                        | 2,795         |
| 2016         |                        | 1,776         |
| Thereafter   |                        | 2,131         |
| <b>Total</b> | <b>\$</b>              | <b>20,450</b> |

**Other Commitments and Contingencies**

We are party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the actual outcome of these actions as of September 30, 2011, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

During fiscal 2009, 2010, and 2011, we incurred costs associated with store closings and lease terminations of approximately \$6.2 million, \$1.2 million, and \$750,000, respectively. These costs primarily related to the future minimum operating lease payments of the closed locations. The store closings were a key component in our effort to better match our fixed costs with the decline in retail business caused by the soft economic conditions. The store closing costs have been included in selling, general, and administrative expenses in the consolidated statements of operations during fiscal 2009, 2010, and 2011.

In connection with our workers' compensation insurance policies, we maintain a letter of credit in the amount of \$1.7 million with our policy holder. The letter of credit is collateralized by a certificate of deposit held by the bank that issued the letter of credit. The certificate of deposit is classified as cash and cash equivalents in the accompanying consolidated balance sheets as of September 30, 2011.

We are subject to federal and state environmental regulations, including rules relating to air and water pollution and the storage and disposal of gasoline, oil, other chemicals and waste. We believe that we are in compliance with such regulations.

**16. EMPLOYEE 401(k) PROFIT SHARING PLANS:**

Employees are eligible to participate in our 401(k) Profit Sharing Plan (the Plan) following their 90-day introductory period starting either April 1 or October 1, provided that they are 21 years of age. Under the Plan, we match 25% of participants' contributions, up to a maximum of 5% of each participant's compensation. We contributed, under the Plan, or pursuant to previous similar plans, approximately \$167,000, \$150,000, and \$283,000 for the fiscal years ended September 30, 2009, 2010, and 2011, respectively.

**Table of Contents****MARINEMAX, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. QUARTERLY FINANCIAL DATA (UNAUDITED):**

The following table sets forth certain unaudited quarterly financial data for each of our last eight quarters. The information has been derived from unaudited financial statements that we believe reflect all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of such quarterly financial information.

|   | December 31,<br>2009                                   | March 31,<br>2010 | June 30,<br>2010 | September 30,<br>2010 | December 31,<br>2010 | March 31,<br>2011 | June 30,<br>2011 | September 30,<br>2011 |
|---|--|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
|   | (Amounts in thousands except share and per share data) |                   |                  |                       |                      |                   |                  |                       |
| Revenue                                       | \$ 100,449   | \$ 110,116        | \$ 115,383       | \$ 124,392            | \$ 92,190            | \$ 115,756        | \$ 153,171       | \$ 119,777            |
| Cost of sales                                 | 78,478   | 85,910            | 80,829           | 94,316                | 68,608               | 88,961            | 114,088          | 89,743                |
| Gross profit                                  | 21,971   | 24,206            | 34,554           | 30,076                | 23,582               | 26,795            | 39,083           | 30,034                |
| Selling, general, and administrative expenses | 29,629   | 29,631            | 33,340           | 31,372                | 27,441               | 30,446            | 35,224           | 34,785                |
| Income (loss) from operations                 | (7,658)  | (5,425)           | 1,214            | (1,296)               | (3,859)              | (3,651)           | 3,859            | (4,751)               |
| Interest expense                              | 1,462  | 1,059             | 702              | 703                   | 843                  | 836               | 837              | 972                   |
| Income (loss) before income tax benefit       | (9,120)  | (6,484)           | 512              | (1,999)               | (4,702)              | (4,487)           | 3,022            | (5,723)               |
| Income tax benefit                            | (19,273)   | (146)             |                  | (169)                 |                      |                   | (333)            | (34)                  |
| Net income (loss)                             | \$ 10,153  | \$ (6,338)        | \$ 512           | \$ (1,830)            | \$ (4,702)           | \$ (4,487)        | \$ 3,355         | \$ (5,689)            |
| Net income (loss) per share:                  |  |                   |                  |                       |                      |                   |                  |                       |
| Diluted                                       | \$ 0.45  | \$ (0.29)         | \$ 0.02          | \$ (0.08)             | \$ (0.21)            | \$ (0.20)         | \$ 0.15          | \$ (0.25)             |
| Weighted average number of shares:            |  |                   |                  |                       |                      |                   |                  |                       |
| Diluted                                       | 22,344,687   | 21,982,631        | 22,793,218       | 22,139,158            | 22,239,785           | 22,329,156        | 23,103,280       | 22,492,156            |