

MARINEMAX INC  
Form 10-K/A  
June 14, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K/A  
(Amendment No. 1)**

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

**For fiscal year ended September 30, 2005**

**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)*

**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  
Rights to Purchase Series A Junior Participating  
Preferred Stock

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

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

The aggregate market value of common stock held by nonaffiliates of the registrant (15,962,880 shares) based on the closing price of the registrant's common stock as reported on the New York Stock Exchange on March 31, 2005, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$497,722,598. 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 November 30, 2005, there were outstanding 17,717,812 shares of registrant's common stock, par value \$.001 per share.

**Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement for the 2006 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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 AMENDED ANNUAL REPORT ON FORM 10-K/A  
 Fiscal Year Ended September 30, 2005  
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**Statements Regarding Forward-Looking Statements**

The statements contained in this amended report on Form 10-K/A that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our expectations, anticipation, intentions, beliefs, or strategies regarding the future. Forward-looking statements relating to our future economic performance, plans and objectives for future operations, and projections of revenue and other financial items that are based on our beliefs as well as assumptions made by and information currently available to us. Actual results could differ materially from those currently anticipated as a result of a number of factors, including those discussed in Item 1, Business Risk Factors.

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**Amendment No. 1 Explanatory Note**

We are filing Amendment No. 1 (this Amendment) to the MarineMax, Inc. Annual Report on Form 10-K for the year ended September 30, 2005, to change the presentation of short-term borrowings and repayments related to new and used boat inventory in the consolidated statements of cash flows, as further described below. We finance a substantial portion of new and used boat inventories under a credit facility with vendor approved third-party financing institutions (of which none are affiliated with boat manufacturers). Customary with industry interpretation of Statement of Financial Accounting Standards No. 95, Statement of Cash Flows (SFAS 95), we previously reported all cash flows in connection with the changes in short-term borrowings as an operating activity in the consolidated statements of cash flows and all amounts due under the credit facility under the caption Short-term Borrowings in the consolidated balance sheets.

On May 2, 2006, we determined that we would amend our 2005 Annual Report on Form 10-K and our December 31, 2005, Quarterly Report on Form 10-Q and restate the consolidated statements of cash flows for the years ended September 30, 2003, 2004 and 2005 and for the three months ended December 31, 2005, in response to recently published comments of the Staff of the Securities and Exchange Commission (the SEC), recent restatements made by public automotive dealers, recent discussions with the SEC Staff, our review of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2 and recent discussions with Ernst & Young, LLP, our independent registered public accounting firm. This amendment reclassifies our consolidated statements of cash flows relating to short-term borrowings from operating cash flows to financing cash flows in conformity with SFAS 95.

This change in presentation has no impact on previously reported net income, earnings per share, revenue, cash, total assets, or stockholders equity. The change in presentation will also not affect our compliance with any financial covenant or debt instrument with respect to any of our indebtedness. This Form 10-K/A contains changes to Part II Item 7, Item 8, Item 9A, and Item 15 to reflect this restatement. There are no other significant changes to the original Form 10-K other than those outlined above. This Form 10-K/A does not reflect events occurring after the filing of the original Form 10-K, or modify or update disclosures therein in any way other than as required to reflect the Amendment set forth below. Among other things, forward looking statements made in the original Form 10-K (other than the restatement), and such forward looking statements should be read in their historical context. In addition, currently-dated certifications from our Chief Executive Officer and Chief Financial Officer have been included as exhibits to this Amendment.

**PART I**

**Item 1. Business**

**Introduction**

**Our Company**

We are the largest recreational boat dealer in the United States. Through 71 retail locations in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, and Utah, we sell new and used recreational boats, including pleasure boats (such as sport boats, sport cruisers, sport yachts, yachts, and mega-yachts), 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 arrange related boat financing, insurance, and extended service contracts; provide repair and maintenance services; offer boat and yacht brokerage services; and, where available, offer slip and storage accommodations.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Meridian, and Hatteras recreational boats and yachts, all of which are manufactured by Brunswick Corporation. Sales of new Brunswick boats accounted for approximately 60% of our revenue in fiscal 2005. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe our sales represented in excess of 10% of all Brunswick marine sales, including approximately 35% of its Sea Ray boat sales, during our 2005 fiscal year. Through operating subsidiaries, we are a party to dealer agreements with Brunswick covering Sea Ray products and we are the exclusive dealer of Sea Ray boats in our geographic markets.

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We are the exclusive dealer for Italy-based Ferretti Group for Ferretti Yachts, Pershing, Riva, Apremare, and Mochi Craft mega-yachts, yachts, and other recreational boats for the United States, Canada, the Bahamas, and Mexico. We also are the exclusive dealer for Bertram in the United States (excluding the Florida peninsula and certain portions of New England), Canada, and the Bahamas.

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 18 additional previously independent recreational boat dealers, two boat brokerage operations, and one full-service yacht repair operation. 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 fiberglass boat in fiscal 2005 was approximately \$110,000, an increase of 12% from 2004, compared with the industry average selling price of approximately \$38,000, versus \$30,000 in the prior year, based on industry data published by the National Marine Manufacturers Association. Our stores, which operated at least 12 months, averaged approximately \$16.4 million in annual sales in fiscal 2005. We consider a store to be one or more retail locations that are adjacent or operate as one entity. For the fiscal year ended September 30, 2005, we had revenue of \$947.3 million, operating income of \$64.5 million, and net income of \$33.8 million. Our same-store sales increased approximately 23% in fiscal 2005 and has averaged approximately 9% for the last five years, including a decline of 9% in fiscal 2001.

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-haggle 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 \$33.0 billion in retail sales in calendar 2004, including 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 \$25.9 billion of these sales in 2004 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 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.

### **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 negotiation-free purchase process, superior customer service, and premier facilities;

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

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

- emphasizing employee training and development;

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

pursuing strategic acquisitions to capitalize upon the significant consolidation opportunities in the highly fragmented recreational boat dealer industry by acquiring additional dealers and related

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operations and improving their performance and profitability through the implementation of our operating strategies;  
opening additional retail facilities in our existing and new territories;

expanding our Internet retail operations and marketing;

promoting national brand name recognition and the MarineMax connection;

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

utilizing technology throughout operations, which facilitates the interchange of information 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 18 additional recreational boat dealers, two boat brokerage operations, and one full-service yacht repair operation. Each of our acquired dealers is continuing its operations under the MarineMax name as a wholly owned operating subsidiary of our company.

We continually attempt to expand our business by providing a full range of services, offering extensive and high-quality product lines, maintaining prime retail locations, pursuing the MarineMax Value Price 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 providing new products and services for our customers.

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.

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<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.	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.	December 1999	Utah
Clark's Landing, Inc. (selected New Jersey locations and operations)		Northern New Jersey
Associated Marine Technologies, Inc.	April 2000	
Gulfwind Marine Partners, Inc.	January 2001	Southeast Florida
Seaside Marine, Inc.	April 2002	West Florida
Sundance Marine, Inc.	July 2002	Southern California
Killinger Marine Center, Inc. and Killinger Marine Center of Alabama, Inc.	June 2003	Colorado
Emarine International, Inc. and Steven Myers, Inc.	September 2003	Northwest Florida and Alabama
Imperial Marine	October 2003	Southeast Florida
Port Jacksonville Marine	June 2004	Baltimore, Maryland
	June 2004	Northeast Florida

Apart from acquisitions, we have opened 16 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, we have closed 7 retail locations since March 1998, excluding those opened on a temporary basis for a specific purpose.

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.

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 product lines that we have added to our existing locations:



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<b>Product Line</b>	<b>Fiscal Year</b>	<b>Geographic Regions</b>
Boston Whaler	1997	West Central Florida; Stuart, Florida; Dallas, Texas
Hatteras Yachts	1999	Florida (excluding the Florida panhandle) and distribution rights for products over 82 feet for North and South America, the Caribbean, and the Bahamas
Boston Whaler	1999	Ohio
Boston Whaler	2000	North Palm Beach, Florida
Baja	2001	Houston, Texas and Las Vegas, Nevada
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
Century	2004	North and South Carolina
Ferretti Yachts, Pershing, Riva, Apremare, Mochi Craft, and Custom Line	2004	United States, Canada, the Bahamas, and Mexico
Bertram	2004	United States (excluding the Florida peninsula and portions of New England), Canada, and the Bahamas
Princecraft	2004	California, Delaware, Georgia, Maryland, Minnesota, New Jersey, Ohio, and Texas
Baja	2005	Tempe, Arizona, Colorado, Dallas, Texas, and Utah
Boston Whaler	2005	Houston and Dallas, Texas
Sea Ray	2005	Wyoming
Tracker Marine	2005	Las Vegas, Nevada

As we add a brand, we believe we are offering a migration 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 plan to continue to expand our business through acquisitions in new geographical territories, new store openings in existing territories, and new product lines. In addition, we plan to continue to expand other services, including conducting used boat sales; offering yacht and boat brokerage services; 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; selling related marine products, including engines, trailers, parts, and accessories; providing maintenance and repair services at our retail locations and at stand-alone service facilities, including our full-service yacht repair facility in Southeast Florida; and expanding our ability to provide slip and storage accommodations.

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 recreational boat dealers, two boat brokerage operations, and one full-service yacht repair operation acquired to date (the acquired dealers, and together with the brokerage and repair operations, operating subsidiaries or the acquired companies).

Our website is located at [www.MarineMax.com](http://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. 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

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SEC or NYSE regulations. These documents are also available in print to any stockholder requesting a copy from our corporate secretary at our principal executive offices.

**BUSINESS**

**General**

We are the largest recreational boat dealer in the United States. Through 71 retail locations in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, and Utah, 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 also sell related marine products, including engines, trailers, parts, and accessories. In addition, we arrange related boat and yacht financing, insurance, and extended service contracts; provide repair and maintenance services; offer boat and yacht brokerage services; and, where available, slip and storage accommodations.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Meridian, and Hatteras recreational boats and yachts. Sales of new Sea Ray, Boston Whaler, Meridian, and Hatteras recreational boats and yachts, each of which is manufactured by Brunswick Corporation, accounted for approximately 60% of our revenue in fiscal 2005. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe our sales represented in excess of 10% of all Brunswick marine sales during our 2005 fiscal year. Each of our principal operating subsidiaries is a party to a dealer agreement with Brunswick covering Sea Ray products and is the exclusive dealer of Sea Ray boats in its geographic market. We also have the right to sell Hatteras Yachts throughout the state of Florida (excluding the Florida panhandle) and the state of Texas, as well as the distribution rights for Hatteras products over 82 feet for North and South America, the Caribbean, and the Bahamas. We have distribution rights for Meridian Yachts in most of our geographic markets, excluding Arizona, California, Colorado, Nevada, and Utah. We are the exclusive dealer for Italy-based Ferretti Group for Ferretti Yachts, Pershing, Riva, Apremare, and Mochi Craft mega-yachts, yachts, and other recreational boats for the United States, Canada, the Bahamas, and Mexico. We also are the exclusive dealer for Bertram in the United States (excluding the Florida peninsula and certain portions of New England), Canada, and the Bahamas. We believe the brands we are adding offer a migration for our existing customer base or fill a void in our product offerings and accordingly will not compete with or cannibalize the business generated from our other prominent brands.

**U.S. Recreational Boating Industry**

The total U.S. recreational boating industry generated approximately \$33.0 billion in retail sales in calendar 2004, including 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 boats, engines, trailers, and accessories accounted for approximately \$25.9 billion of such sales in 2004. Retail recreational boating sales were \$17.9 billion in the late 1980s, 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 attributed 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, with the exception of 1998 and 2003, retail recreational boating sales have increased every year since.

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 strategy include the following:

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*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 negotiation-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.

*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 Value-Price 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.

*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.

*Emphasizing Employee Training and Development.* To promote continued internal growth, we devote substantial efforts 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.

*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 or, when appropriate, in selected dealerships. We are offering throughout our dealerships product lines that previously have been offered only at certain of our locations. We also may obtain additional product lines through the acquisition of distribution rights directly from manufacturers and the acquisition of dealerships with distribution rights. We have increased our used boat sales and yacht brokerage services through an increased emphasis on these activities, cooperative efforts among our dealerships, and the use of the Internet. We also 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.

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*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 acquiror 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 territories. We believe that the demographics of our existing geographic territories support the opening of additional facilities, and we have opened 16 new retail facilities, excluding those opened on a temporary basis for a specific purpose, since our formation in January 1998. We also plan to reach new customers through various innovative retail formats developed by us, such as mall stores and floating retail facilities. Our mall store concept is unique to the boating industry and is designed to draw mall traffic, thereby providing exposure to boating for the non-boating public as well as displaying our new product offerings to boating enthusiasts. Floating retail facilities place the sales facility, with a customer reception area and sales offices, on or anchored to a dock in a marina and use adjacent boat slips to display our new and used boats in areas of high boating activity. 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. Since March 1998, we have closed 7 retail locations, excluding those opened on a temporary basis for a specific purpose.

*Utilization of the Internet.* Our web initiative, [www.MarineMax.com](http://www.MarineMax.com), provides 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 and brokerage services. We also plan to expand our ability to offer financing and parts and accessories on our website.

*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 substantial 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.

*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

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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 operating subsidiary 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 operating subsidiaries 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; provide boat brokerage services; and offer slip and storage accommodations.

### ***New Boat Sales***

We primarily sell recreational boats, including pleasure boats (such as sport boats, sport cruisers, sport yachts, yachts, and mega-yachts) 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, Meridian Yachts, and Hatteras Yachts. In fiscal 2005, approximately 60% of our revenue was derived from the sale of new boats manufactured by Brunswick. We believe that we represented in excess of 10% of all of Brunswick's marine product sales during that period. We also sell mega-yachts, yachts, and other recreational boats manufactured by Bertram and the Italy-based Ferretti Group, including Ferretti Yachts, Pershing, Riva, Apremare, Mochi Craft and Custom Line. Certain of our dealerships also sell luxury yachts, fishing boats, and pontoon boats provided by other manufacturers. During fiscal 2005, new boat sales accounted for approximately 70.5% 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 2005 average new fiberglass boat sales price of approximately \$110,000, an increase of 12% from 2004, compared with an estimated industry average selling price of approximately \$38,000, versus \$30,000 in the prior year, 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.

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

<b>Product Line and Trade Name</b>	<b>Overall Length</b>	<b>Manufacturer Suggested Retail Price Range</b>
<b>Mega-Yachts</b>		
Custom Line	94' to 143'	\$9,000,000 to \$12,000,000+
<b>Motor Yachts</b>		
Hatteras Motor Yachts	64' to 100'	2,300,000 to 10,000,000+
Ferretti	46' to 88'	1,100,000 to 7,500,000+
<b>Convertibles</b>		
Hatteras Convertibles	50' to 90'	1,000,000 to 7,000,000+
Bertram	36' to 67'	500,000 to 3,500,000+
<b>Pleasure Boats</b>		
Sea Ray	17' to 68'	21,000 to 4,000,000
Meridian	35' to 59'	300,000 to 1,600,000
<b>Fishing Boats</b>		
Boston Whaler	11' to 32'	8,000 to 210,000
<b>Specialty Boats &amp; Yachts</b>		
Pershing	50' to 115'	1,600,000 to 13,000,000+
Riva	33' to 115'	600,000 to 9,000,000+
Apreamare	25' to 53'	350,000 to 2,000,000+
Mochi Craft	44' to 74'	1,200,000 to 4,600,000+

*Mega-Yachts.* Custom Line is considered one of the world's premier mega-yacht product lines and represents our most expensive product offering. All models include state-of-the-art designs with live-aboard luxuries. The Custom Line series, ranging from 94 feet to 143 feet, offers multiple decks with an enormous amount of living space, luxurious salon/galley arrangements, and multiple VIP and guest staterooms.

*Motor Yachts.* Hatteras Yachts and Ferretti Group 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. The Hatteras series 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. Ferretti is known for its European styling, speed, performance, and offers luxurious salon/galley arrangements and multiple staterooms with private heads.

*Convertibles.* Hatteras Yachts and Bertram 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. The Hatteras series features interiors that offer luxurious salon/galley arrangements, multiple staterooms with private heads, and a cockpit that includes a bait and tackle center, fishbox, and freezer. The Bertram series feature interiors that offer spacious living room and salon/galley arrangements, multiple staterooms with private heads, and a cockpit that includes storage for big catches, ample prep area, open sink area, live-bait storage, and stand-up rod storage.

*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

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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. Most Sea Ray and Meridian pleasure boats feature Mercury or MerCruiser engines.

*Fishing Boats.* The fishing boats we offer, such as Boston Whaler, 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, splash-well gates with rodholders, rigging stations, cockpit coaming pads, and fresh and saltwater washdowns.

*Specialty Boats.* Pershing, Riva, Apremare, and Mochi Craft specialty boats and yachts are known for exceptional quality, design, and innovation and are considered premium products in their respective segments. The Pershing series is considered a perfect blend of high performance, luxury, and the comfort of perfectly blended interior space. The Riva series is considered by those who want the best, expect the best, and live the best as the luxury boat of choice. The Apremare series is considered one of the most exciting and most desirable express cruisers on the market with an unparalleled European design. The Mochi Craft series is an old-style revolution that rediscovers the natural lines of the 1950s.

***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 2005, used boat sales accounted for approximately 17.6% of our revenue, and approximately 81.1% 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 boats through customer trade-ins. We intend to continue to increase our used boat business as a result of the increased availability of quality used boats generated from our expanding sales efforts, the increasing number of used boats that are well-maintained through our service initiatives, 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 web site, [www.MarineMax.com](http://www.MarineMax.com), which expands the awareness and availability of our products to a large audience of boating enthusiasts.

At most of our retail locations, 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 that the Sea Ray Legacy warranty plan, which is only available for used Sea Ray boats purchased from a Sea Ray dealer, enhances our sales of used Sea Ray boats by motivating purchasers of used Sea Ray boats to purchase only from a Sea Ray dealer and motivating sellers of Sea Ray boats to sell through a Sea Ray dealer.

***Marine Engines, Related Marine Equipment, and Boating 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 operating subsidiaries 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 related marine parts and accessories, including oils, lubricants, steering and control systems, corrosion control products, engine care, maintenance, and service products (primarily Mercury Marine's Quicksilver

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line); 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 logo.

The sale of marine engines, related marine equipment, and boating accessories accounted for approximately 3.0% of our fiscal 2005 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 profitability. 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, Brunswick reimburses 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 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 approximately 4.6% of our revenue during fiscal 2005. This includes warranty and non-warranty services.

***F&I Products***

At each of our retail 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

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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, 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 2005, fee income generated from F&I products accounted for approximately 3.1% 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-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 the BUC system, and advising our other retail locations of their availability through our integrated computer system and posting them on our web site, [www.MarineMax.com](http://www.MarineMax.com). The BUC system, which is similar to a real estate multiple listing service, is a national boat or yacht listing service of approximately 900 brokers maintained by BUC International. 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 2005, brokerage services accounted for approximately 1.2% 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 Sea Ray 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.

**Retail Locations**

We sell our recreational boats and other marine products and offer our related boat services through 71 retail locations in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, and Utah. Each retail location generally includes an indoor showroom (including some of the industry's largest indoor boat showrooms) and an outside area

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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 Delta Basin and Mission Bay in California; multiple locations on the Intracoastal Waterway, the Atlantic Ocean, Biscayne Bay, Naples Bay (next to the Gulf of Mexico), Tampa Bay, and the Caloosahatchee River in Florida; Lake Lanier and Lake Altoona in Georgia; Chesapeake Bay in Maryland; Leech Lake and the St. Croix River in Minnesota; Barnegat Bay, the Delaware River, the Hudson River, Lake Hopatcong, Little Egg Harbor, and the Manasquan River in New Jersey; Lake Erie in Ohio; and Clear Lake, Lake Canroe, 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.

We plan to reach new customers by expanding in new locations through various innovative retail formats, such as mall stores and floating retail facilities. Our mall store concept is unique to the boating industry and is designed to draw mall traffic, thereby providing exposure to boating to the non-boating public as well as displaying our new product offerings to boating enthusiasts. Floating retail facilities place the sales facility, with a customer reception area and sales offices, on or anchored to a dock in a marina and use adjacent boat slips to display new and used boats in areas of high boating activity.

### **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 district manager, who generally has responsibility for the retail locations within a specified geographic region. Typically, each retail location also has a staff consisting of a sales manager, an F&I manager, a parts and 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.

#### ***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, our no-hassle sales approach, highly trained sales representatives, high level of customer service, emphasis on educating the customer and the customer's family

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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 value 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, 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 and enables 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, Baja, Hatteras, Princecraft, and Meridian. We also purchase new boats and other marine related products from other manufacturers, including Bertram, Century, Ferretti, Grady White, Sea Pro, and Tracker Marine. In fiscal 2005, sales of new Brunswick boats accounted for approximately 60% of our revenue. No other manufacturer accounted for more than 10% of our revenue in fiscal 2005. We believe our Sea Ray boat purchases represented approximately 35% of new Sea Ray boat sales and in excess of 10% of all Brunswick marine product sales during fiscal 2005.

Through operating subsidiaries, we have entered into agreements with Brunswick covering Sea Ray products. The dealer agreements with the Sea Ray division of Brunswick do not restrict our right to sell any Sea Ray product lines or competing products. The terms of the multi-year dealer agreement appoints 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



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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.

The dealer agreement with Ferretti Group and Bertram does not restrict our right to sell any Ferretti Group and Bertram product lines but has certain restrictions relating to competing products. The multi-year dealer agreement appoints us as the exclusive dealer for the retail sale, display, and servicing of designated Ferretti Group and Bertram products and repair parts currently or in the future sold by Ferretti Group and Bertram in the designated geographic areas. The multi-year dealer agreement currently expires in August 2007.

Arrangements with certain other manufacturers may restrict our right to offer some product lines in certain markets.

We typically deal with each of our manufacturers, other than the Sea Ray division of Brunswick, Ferretti Group, and Bertram, under an annually renewable, non-exclusive dealer agreement. 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.

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.

In March 2003, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) revised certain provisions of its previously reached conclusions on EITF 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* (EITF 02-16), and provided additional transitional guidance. We determined that EITF 02-16 impacts the way we account for interest assistance received from vendors beginning after July 1, 2003 with the renewal of and amendments to our dealer agreements with the manufacturers of our products. EITF 02-16 most significantly 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.

Our revolving credit facility currently provides us with a line of credit with asset-based borrowing availability of up to \$340 million for working capital and inventory financing and an additional \$20 million for traditional floorplan borrowings, all of which are determined pursuant to a borrowing base formula. The credit facility requires us to satisfy certain covenants, including maintaining a leverage ratio tied to our tangible net worth. The credit facility currently matures in March 2008, with two one-year renewal options remaining. The credit facility was last amended in February 2005 to extend the terms and increase the borrowing availability.

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As of September 30, 2005, we owed an aggregate of \$150.0 million under our revolving credit facility. As of September 30, 2005, our revolving credit facility provided us with an additional available borrowing capacity of approximately \$180.0 million. Advances on the facility accrued interest at a rate of 5.2% as of September 30, 2005. We were in compliance with all covenants in the facility as of September 30, 2005.

### ***Management Information System***

We believe that our management information system, which currently is being utilized by each of our operating subsidiaries and was developed over a number of years through cooperative efforts with the vendor, enhances our ability to integrate successfully the operations of our operating subsidiaries 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 and 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. In October 2002, Brunswick acquired the vendor of our management information system.

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

We and the Sea Ray Division of Brunswick have entered into a revised agreement replacing our previous agreement to provide a process for our continued growth through the acquisition of additional Sea Ray boat dealers that desire to be acquired by us. The agreement extends through June 2015. 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 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 dealer sales and the absence of any violation of applicable laws or rights granted by Sea Ray to others.

### **Dealer Agreements with Sea Ray**

Brunswick, through its Sea Ray division, and we, through our principal operating subsidiaries, are parties to Sales and Service Agreements relating to Sea Ray products extending through June 2015. Each of these dealer agreements appoints one of our operating subsidiaries as a dealer for the retail sale, display, and servicing of all 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

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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;

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;

provide or arrange for warranty and service work for Sea Ray products;

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 is 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;



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achieve within designated time periods or maintain master dealer 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.

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.

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### **Employees**

As of September 30, 2005, we had 1,623 employees, 1,546 of whom were in store-level operations and 77 of whom were in corporate administration and management. We are not a party to any collective bargaining agreements and are not aware of any efforts to unionize our employees. 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, Women on Water, and Newcoast Financial Services. We have registered the name MarineMax in the European Community. We have a trademark application pending with the U.S. Patent and Trademark Office for MarineMax Boating Gear Center. 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, 2005, the average revenue for the quarters ended December 31, March 31, June 30, and September 30 represented approximately 19%, 25%, 31%, and 25%, 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 allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year.

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 locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as was the case during the 2004 and 2005 hurricane season when Florida and other markets were affected by numerous 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. Emissions from such engines must be reduced by approximately 75% over a nine-year period beginning with the 1998 model year. Costs of comparable new engines,

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if materially more expensive than previous engines, or the inability of our manufacturers to comply with EPA requirements, could have a material adverse effect on our business, financial condition, and results of operations.

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 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 may 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, two of our properties are 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





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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. Dealer competition continues to increase 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 is an additional significant source of competition.

**Executive Officers**

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.	62	Chairman of the Board, President, Chief Executive Officer, and Director
Michael H. McLamb	40	Executive Vice President, Chief Financial Officer, Secretary, and Director
Kurt M. Frahn	37	Vice President of Finance and Treasurer
Jack P. Ezzell	35	Vice President, Chief Accounting Officer, and Controller
Edward A. Russell	45	Vice President
Michael J. Aiello	49	Vice President
Anthony M. Aisquith	38	Vice President

*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 of our company 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.

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*Kurt M. Frahn* has served as Vice President of Finance and Treasurer of our company since October 22, 2002. 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.

*Jack P. Ezzell* has served as Vice President and Chief Accounting Officer of our company since October 22, 2002 and as Corporate Controller of our company since June 1, 1999. Mr. Ezzell served as Assistant Controller from January 13, 1998 until June 1, 1999. Mr. Ezzell, a certified public accountant, was employed by Arthur Andersen, LLP from August 1996 until January 1998, serving most recently as a senior auditor.

*Edward A. Russell* has served as Vice President of our company since October 22, 2002. Mr. Russell has served as the Regional Manager of our Florida operations since August 1, 2002. Prior to that, Mr. Russell served 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.

*Michael J. Aiello* has served as Vice President of our company since October 22, 2002. Mr. Aiello has served as the Regional Manager of the state of New Jersey and surrounding areas since 1999 and was a principal owner and operator of Merit Marine Inc., one of our operating subsidiaries, now called MarineMax of Mid-Atlantic, from 1985 until its merger with our company in March 1999.

*Anthony M. Aisquith* has served as Vice President of our company since November 1, 2003. Mr. Aisquith has served as the Regional Manager of our Georgia, Carolinas, Texas, and California operations since August 1, 2000, March 1, 2002, March 15, 2003, and March 1, 2004, respectively. Mr. Aisquith previously served as the Store Manager of our Tampa, Florida location from October 1, 1997 until August 1, 2000 and as a salesperson in our Clearwater, Florida location from June 18, 1995 until October 1, 1997. Mr. Aisquith joined our company on June 18, 1995 after 10 years of experience in the auto industry.

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**Risk Factors**

**Our success depends to a significant extent on the continued popularity and reputation for quality of the boating products of our manufacturers, particularly Brunswick's Sea Ray, Meridian and Hatteras boat lines, and Ferretti Group's Ferretti Yachts, Riva, Pershing, and Bertram product lines.**

Approximately 60% of our revenue in fiscal 2005 resulted from sales of new boats manufactured by Brunswick, including approximately 46% from Brunswick's Sea Ray division and approximately 7% from Brunswick's Hatteras Yacht division. The remainder of our fiscal 2005 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. Any adverse change in the financial condition, production efficiency, product development, management, marketplace acceptance and marketing capabilities of our manufacturers, particularly Brunswick given our reliance on Sea Ray, Meridian, and Hatteras, would have a substantial adverse impact on our business. Additionally, given the revenue generated by each yacht and mega-yacht sale, any adverse change in the financial condition, production efficiency, product development, management, marketplace acceptance, and marketing capabilities of Ferretti Group would have a substantial adverse impact on our business.

To ensure adequate inventory levels to support our expansion, it may be necessary for Brunswick and other manufacturers to increase production levels or allocate a greater percentage of their production 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.

Through our principal operating subsidiaries, 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 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.

Through certain of our operating subsidiaries, 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 agreement, 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 operating subsidiaries may not represent manufacturers or product lines that compete directly with Hatteras without its prior written consent.

As is typical in the industry, we deal with manufacturers, other than the Sea Ray division of Brunswick, Ferretti Group, and Bertram, 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.

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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. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Similarly, rising interest rates could have a negative impact on the ability or willingness of consumers to finance boat purchases, which could also adversely affect our ability to sell our products and impact the profitability of our finance and insurance activities. Local influences, such as corporate downsizing and military base closings, also could adversely affect our operations in certain markets. We may be unable to maintain our profitability during any period of adverse economic conditions or low consumer confidence. Changes in federal and state tax laws, such as an imposition of luxury taxes on new boat purchases, and stock market performance also could influence consumers' decisions to purchase products we offer and could have a negative effect on our sales. For example, during 1991 and 1992 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 the late 1980s to a low of \$10.3 billion in 1992.

**General economic conditions that impact the recreational boating industry could inhibit our growth and negatively impact our profitability.**

General economic conditions, consumer spending patterns, federal tax policies, interest rate levels, and the cost and availability of fuel can impact overall boat purchases. We believe that the level of boat purchases has been adversely affected by increased competition from other recreational activities, perceived hassles of boat ownership, and relatively poor customer service and education throughout the retail boat industry. Although our strategy addresses many of these industry factors and we have expanded our operations during periods of stagnant or 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.

**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 18 recreational boat dealers, two boat brokerage operations, and one full-service yacht repair facility. 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 and each dealer we acquire in the future, 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



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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.

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

the ability to obtain any requisite manufacturer or governmental approvals; 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 entered into a revised agreement replacing our prior agreement to provide a process for our continued growth through the acquisition of additional Sea Ray boat dealers that desire to be acquired by us. The agreement extends through June 2015. 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

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information regarding the acquisition candidate; marketing and advertising plans; service capabilities and managerial and staff personnel; information regarding the ability of 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.

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.

**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;
- 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 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 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.



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**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 or willing to use our common stock for acquisitions will depend on the market value of our common stock from time to time 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 and operational covenants and other restrictions with which we must comply, including limitations on capital expenditures and 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 current revolving credit facility provides a line of credit with asset-based borrowing availability of up to \$340 million and allows us \$20 million in traditional floorplan borrowings. We have pledged certain of our assets, principally boat inventories, to secure borrowings under our credit facility. While we believe we will continue to obtain adequate financing from lenders, such financing may not be available to us.

**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 our 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 conditions may adversely impact our business.**

During the three-year period ended September 30, 2005, the average revenue for the quarterly periods ended December 31, March 31, June 30, and September 30 represented 19%, 25%, 31%, and 25%, respectively, of our average annual revenues. With the exception of Florida, we generally realize significantly lower sales 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 conditions may adversely impact our operating results. For example, drought conditions, reduced rainfall levels, and excessive rain may force boating areas to close 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 shorter selling seasons in certain locations. Hurricanes and other storms could result in the disruption of our operations or damage to our boat inventories and facilities as was the case during the 2004 and 2005 hurricane season when Florida and other markets were affected by numerous hurricanes. 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 our future geographic expansion will reduce the overall impact on us of adverse weather conditions in any one market area, weather 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.

**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.

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 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.

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**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 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 2005, F&I products accounted for approximately 3.1% 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.

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 an employment agreement with certain of our executive officers, we cannot assure that these or other executive personnel will remain with us. Our expanding 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 operating subsidiaries. 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 OSHA or the 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 recently promulgated emissions regulations for outboard marine engines that impose stricter emissions standards for two-cycle, gasoline outboard marine engines. Emissions from such engines must be reduced by approximately 75% over a nine-year period beginning with the 1998 model year. Costs of comparable new engines, if materially more expensive than previous engines, or the inability of our manufacturers to comply with EPA requirements, could have a material adverse effect on our business, financial condition, and results of operations.

Certain of our facilities own and operate 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.

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

parties who 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, two of our properties are within the boundaries of a Superfund site, although neither property has been identified as a contributor to the contamination in the area.

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.

### **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. 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.

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**We must evaluate goodwill and identifiable intangible assets for impairment annually and we would recognize an impairment loss if the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value.**

Goodwill and intangible assets represent the excess of the purchase price of businesses acquired over the fair value of the net tangible assets acquired at the date of acquisition. We have determined that our most significantly acquired specifically identifiable intangible assets are dealer agreements, which are indefinite-lived intangibles.

Goodwill and identifiable intangible assets are accounted for in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141), and Statement of Financial Accounting Standards No. 142, Goodwill and other Intangible Assets (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and identifiable intangible assets acquired in a business combination be recognized as assets and reported separately from goodwill. SFAS 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value, we would recognize an impairment loss. We measure any potential impairment based on various business valuation methodologies, including a projected discounted cash flow method. We completed the annual impairment test during the fourth quarter of fiscal 2005, based on financial information as of the third quarter of fiscal 2005, which resulted in no impairment of goodwill or identifiable intangible assets. To date, we have not recognized any impairment of goodwill or identifiable intangible assets. Prior to the adoption of SFAS 142, all purchase price in excess of the tangible assets acquired was recorded as goodwill and no identifiable intangible assets were recognized. Net goodwill and identifiable intangible assets amount to \$50.5 million and \$5.7 million, respectively, as of September 30, 2005.

Impairment of goodwill or the identifiable intangible assets or regulatory action that changes the impairment testing methodology, requires amortization, or a write-off of goodwill or identifiable intangible assets may materially and adversely affect the financial position of our company. A reduction in net income resulting from the impairment of goodwill or identifiable intangible assets may have an adverse impact upon the market price of our common stock.

**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 operating results;

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

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

variations in same-store sales;

the success of dealership integration;

relationships with manufacturers;

changes in earnings estimates published by analysts;

general economic, political, and market conditions;

seasonality and weather conditions;

governmental policies and regulations;

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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 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 common stock in the future, including shares that we may issue pursuant to 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.

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

As of September 30, 2005, there were outstanding 17,678,087 shares of our common stock. 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 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 one year after the respective dates of the acquisitions, subject to compliance with the provisions of Rule 144 under the securities laws.

As of September 30, 2005, we had issued and outstanding options to purchase approximately 2,258,131 shares of common stock under our 1998 incentive stock plan and we issued 387,487 of the 750,000 shares of common stock reserved for issuance under our 1998 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 rely on our operating subsidiaries.**

We are a holding company, the principal assets of which are the shares of the capital stock or membership interests of our corporate or limited liability company subsidiaries, including the operating subsidiaries. As a holding company without independent means of generating operating revenue, we depend on dividends and other payments from our subsidiaries to fund our obligations and meet our cash needs. Financial covenants under future loan agreements of our subsidiaries may limit our subsidiaries' ability to make sufficient dividend or other payments to permit us to fund our obligations or meet our cash needs, in whole or in part.

**We do not pay cash dividends.**

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Moreover, financial covenants under certain of our credit facilities restrict our ability to pay dividends.

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**Our stockholders' rights plan may adversely affect existing stockholders.**

Our Stockholders' Rights Plan may have the effect of deterring, delaying, or preventing a change in control that might otherwise be in the best interests of our stockholders. Under the Rights Plan, we issued a dividend of one Preferred Share Purchase Right for each share of our common stock held by stockholders of record as of the close of business on September 7, 2001.

In general, subject to certain limited exceptions, the stock purchase rights become exercisable when a person or group acquires 15% or more of our common stock or a tender offer or exchange offer for 15% or more of our common stock is announced or commenced. After any such event, our other stockholders may purchase additional shares of our common stock at 50% of the then-current market price. The rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors. The rights may be redeemed by us at \$0.01 per stock purchase right at any time before any person or group acquires 15% or more of our outstanding common stock. The rights should not interfere with any merger or other business combination approved by our board of directors. The rights expire on August 28, 2011.

**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 the 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 Ferretti Group product may be adversely affected by fluctuations in currency exchange rates between the U.S. dollar and the Euro.**

Products purchased from the Italy-based Ferretti 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. Accordingly, fluctuations in the value of the Euro as compared with the U.S. dollar may impact the price points at which we can sell profitably Ferretti 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 Ferretti Group product line. The impact of these currency fluctuations could increase, particularly as our revenue from the Ferretti Group products increase as a percentage of our total revenue. We cannot predict the effects of exchange rate fluctuations on our operating results. We are not currently engaged in any foreign currency exchange hedging transactions to manage our foreign currency exposure that could have a significant impact on our operations. If and when we do engage in material foreign currency exchange hedging transactions, we cannot assure that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

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We lease our corporate offices in Clearwater, Florida. We also lease 43 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 our 28 other retail locations.

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

<b>Location</b>	<b>Owned or Leased</b>	<b>Square Footage(1)</b>	<b>Facilities at Property</b>	<b>Operated Since(2)</b>	<b>Waterfront</b>
<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>					
Newport Beach	Third-party lease	1,900	Retail only; 16 wetslips	2005	Newport Bay
Oakland	Third-party lease	17,700	Retail and service; 20 wetslips	1985	Alameda Estuary (San Francisco Bay)
Santa Rosa	Company owned	8,100	Retail and service	1990	
Sacramento	Company owned	24,800	Retail and service	1995	
San Diego	Third-party lease	9,500	Retail and service	2004	
San Diego	Third-party lease	750	Retail and service; 12 wet slips	1997	Mission Bay
Tower Park (near San Francisco)	Third-party lease	400	Retail only	1999	Sacramento River
<b>Colorado</b>					
Denver	Third-party lease	16,400	Retail, service, and storage	2003	
Grand Junction	Third-party lease	9,300	Retail, service, and storage	1986	
<b>Delaware</b>					
Bear	Third-party lease	5,000	Retail and service; 15 wet slips	1995	Between Delaware Bay and Chesapeake Bay
<b>Florida</b>					
Cape Haze	Company owned	18,000	Retail, service, and storage; 8 wet slips	1972	Intracoastal Waterway
Clearwater	Company owned	42,000	Retail and service; 16 wet slips	1973	Tampa Bay
Cocoa	Company owned	15,000	Retail and service	1968	
Coconut Grove	Third-party lease	2,000	Retail only; 24 wet slips	2002	Biscayne Bay
Dania	Company owned	32,000	Repair and service; 16 wet slips	1991	Port Everglades
Destin	Third-party lease	2,178	Retail only; 8 wet slips	2005	Destin Harbor
Ft Lauderdale	Third-party lease	2,400	Retail and service; 12 wet slips	1977	Intracoastal Waterway
	Third-party lease	3,800	Retail only; 4 wet slips	2002	Seminole River



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<b>Location</b>	<b>Owned or Leased</b>	<b>Square Footage(1)</b>	<b>Facilities at Property</b>	<b>Operated Since(2)</b>	<b>Waterfront</b>
Fort Myers	Third-party lease	8,000	Retail and service; 18 wet slips	1983	Caloosahatchee River
Ft Walton Beach	Third-party lease	4,800	Retail only	2003	
Key Largo	Third-party lease	750	Retail only	2002	
Jacksonville	Company owned	15,000	Retail and service	2004	
Jacksonville	Third-party lease	1,000	Retail only; 7 wet slips	1995	St Johns River
Miami	Company owned	7,200	Retail and service; 15 wet slips	1980	Intracoastal Waterway
Naples	Company owned	19,600	Retail and service; 14 wet slips	1997	Naples Bay
Palm Beach	Company owned	22,800	Retail and service; 8 wet slips	1998	Intracoastal Waterway
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	5,376	Retail only; 24 wet slips	2005	Intracoastal Waterway
Sarasota	Third-party lease	26,500	Retail, service, and storage; 15 wet slips	1972	Sarasota Bay
Stuart	Company owned	22,400	Retail and service; 6 wet slips	2002	Intracoastal Waterway
Stuart	Company owned	6,700	Retail and service; 60 wet slips	1994	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>					
Allatoona	Third-party lease	8,800	Retail and service; 4 wet slips	2002	Lake Allatoona
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
Forest Park (Atlanta)	Third-party lease	47,300	Retail, service, and storage	1973	
<b>Maryland</b>					
Baltimore	Third-party lease	500	Retail only; 6 wet slips	2005	Inner Harbor
Baltimore	Company owned	19,800	Retail and service	1958	
Chesapeake Bay	Company owned	28,400	Retail, service, and storage; 294 wet slips	1966	Gunpowder River
<b>Minnesota</b>					
Bay Port	Third-party lease	450	Retail only; 10 wet slips	1996	St Croix River
Oakdale	Third-party lease	18,500	Retail and service	1997	
Rogers	Company owned	70,000	Retail, service, and storage	1991	
Walker	Company owned	76,400	Retail, service, and storage	1989	



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<b>Location</b>	<b>Owned or Leased</b>	<b>Square Footage(1)</b>	<b>Facilities at Property</b>	<b>Operated Since(2)</b>	<b>Waterfront</b>
Walker	Company owned	6,800	Retail and service; 93 wet slips	1977	Leech Lake
<b>Nevada</b>					
Las Vegas	Company owned	21,600	Retail and service	1990	
<b>New Jersey</b>					
Brick	Company owned	20,000	Retail and service; 225 wet slips	1977	Manasquan River
Brant Beach	Third-party lease	3,800	Retail and service; 36 wet slips	1965	Barnegat Bay
Greenbrook	Third-party lease	18,500	Retail and service	1995	
Jersey City	Third-party lease	500	Retail only; 6 wet slips	2000	Hudson 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	Affiliate lease	31,000	Retail and service; 33 wet slips	1987	Little Egg Harbor Bay
<b>North Carolina</b>					
Wrightsville Beach	Third-party lease	34,500	Retail, service, and storage	1996	Intracoastal Waterway
<b>Ohio</b>					
Cleveland (Flats)	Third-party lease	19,000	Retail and service	1999	Lake Erie
Port Clinton	Third-party lease	63,700	Retail, service, and storage; 155 wet slips	1974	Lake Erie
Port Clinton	Third-party lease	93,300	Retail, service, and storage	1997	Lake Erie
Toledo	Third-party lease	12,200	Retail and service	1989	
<b>South Carolina</b>					
Myrtle Beach	Third-party lease	3,500	Retail only	1999	Coquina Harbor
<b>Tennessee</b>					
Chattanooga	Third-party lease	3,000	Retail only; 12 wet slips	2005	Tennessee River
<b>Texas</b>					
Arlington	Third-party lease	31,000	Retail and service	1999	
Houston	Third-party lease	10,000	Retail only (3)	1987	
Houston	Third-party lease	10,000	Retail and service	1981	
League City (floating facility) (4)	Third-party lease	800	Retail and service; 20 wet slips	1988	Clear Lake
Lewisville (Dallas)	Company owned	22,000	Retail and service	1992	
Lewisville (Dallas) (floating facility)	Third-party lease	500	Retail only; 20 wet slips (5)	1994	Lake Lewisville

Seabrook	Company owned	32,000	Retail and service; 30 wet slips	2002	Clear Lake
<b>Utah</b>					
Salt Lake City	Third-party lease	21,200	Retail and service	1975	

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

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- (2) Operated since date is the date the facility was opened by us or opened prior to its acquisition by us.
- (3) Shares service facility located at the other Houston retail locations.
- (4) We own the floating facility, however, the related dock and marina space is leased by us from an unaffiliated third party.
- (5) Shares service facility located at the other Lewisville retail location.

**Item 3. *Legal Proceedings***

We are party to various legal actions arising in the ordinary course of business. With the exception of a single lawsuit award that we are currently appealing, the ultimate liability, if any, associated with these matters was not determinable at September 30, 2005. However, based on information available at September 30, 2005 surrounding the single lawsuit award that we are currently appealing, we increased our accrued litigation expense by approximately \$1.7 million. While it is not feasible to determine the outcome of these actions at this time, 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. *Submission of Matters to a Vote of Security Holders***

Not applicable.

**Table of Contents****PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases 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.

	<b>High</b>	<b>Low</b>
<b>2003</b>		
First quarter	\$ 13.08	\$ 8.67
Second quarter	\$ 14.50	\$ 9.02
Third quarter	\$ 15.43	\$ 12.62
Fourth quarter	\$ 19.90	\$ 14.39
<b>2004</b>		
First quarter	\$ 28.33	\$ 18.10
Second quarter	\$ 32.04	\$ 23.56
Third quarter	\$ 28.59	\$ 18.05
Fourth quarter	\$ 30.55	\$ 21.50
<b>2005</b>		
First quarter	\$ 35.14	\$ 27.51
Second quarter	\$ 31.77	\$ 23.95
Third quarter	\$ 35.88	\$ 21.50
Fourth quarter (through November 30, 2005)	\$ 29.58	\$ 22.36

On November 30, 2005, the closing sale price of our common stock was \$26.26 per share. On November 30, 2005, there were approximately 100 record holders and approximately 4,900 beneficial owners of our common stock.

**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 data as of September 30, 2002, 2003, 2004, and 2005 and the statement of operations data for the fiscal years ended September 30, 2002, 2003, 2004, and 2005 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 balance sheet data as of September 30, 2001 and the statements of operations data for the fiscal year ended September 30, 2001 were derived from the consolidated financial statements and notes thereto that have been audited by Arthur Andersen LLP, independent certified public accountants. 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 (Restated) included elsewhere in this report.

	<b>Fiscal Year Ended September 30,</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands except share and per share data)</b>				
<b>Statement of Operations Data:</b>					
Revenue	\$ 504,071	\$ 540,716	\$ 607,501	\$ 762,009	\$ 947,347
Cost of sales	383,984	416,137	459,729	573,616	712,843
Gross profit	120,087	124,579	147,772	188,393	234,504
Selling, general, and administrative expenses	92,734	95,567	113,299	139,470	169,975
Income from operations	27,353	29,012	34,473	48,923	64,529
Interest expense, net	2,396	1,264	2,471	6,499	9,291
Income before income tax provision	24,957	27,748	32,002	42,424	55,238
Income tax provision	9,608	10,683	12,321	16,126	21,412
Net income	\$ 15,349	\$ 17,065	\$ 19,681	\$ 26,298	\$ 33,826
Net income per share:					
Diluted	\$ 1.01	\$ 1.10	\$ 1.26	\$ 1.58	\$ 1.88
Weighted average number of shares:					
Diluted	15,238,719	15,540,973	15,671,470	16,666,107	18,032,533
<b>Other Data: (as of year-end)</b>					
Number of retail locations					
(1)	53	59	65	67	71
Sales per store (2) (4)	\$ 12,382	\$ 12,273	\$ 11,900	\$ 12,831	\$ 16,386
Same-store sales growth (3) (4)	(9)%	3%	6%	21%	23%

**September 30,**



	2001	2002	2003	2004	2005
<b>Balance Sheet Data:</b>					
Working capital	\$ 47,447	\$ 55,426	\$ 67,003	\$ 88,013	\$ 163,431
Total assets	264,490	301,146	329,155	474,359	539,490
Long-term debt (including current portion) (5)	8,640	21,765	22,343	26,237	30,085
Total stockholders' equity	127,693	145,190	166,056	196,821	283,599

- (1) Includes only those retail locations open at period end.
- (2) Includes only those stores open for the entire preceding 12-month period.
- (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.
- (5) Amount excludes our short-term borrowings for working capital and inventory financing.

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)**

The following should be read in conjunction with Part I, including the matters set forth in the Risk Factors section of this Form 10-K/A, and our Consolidated Financial Statements and notes thereto included elsewhere in this Form 10-K/A.

**Restatement**

As discussed under the heading Amendment No. 1 Explanatory Note on page 1 and further described in the Notes to Consolidated Financial Statements, we have restated our consolidated statements of cash flows and other financial information.

**Overview**

We are the largest recreational boat retailer in the United States with fiscal 2005 revenue exceeding \$947 million. Through our current 71 retail locations in 17 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 warranty contracts; provide boat repair and maintenance services; and offer yacht and boat brokerage services, and where available, offer slip and storage accommodations.

MarineMax was incorporated in January 1998. We conducted no operations until the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have significantly expanded our operations through the acquisition of 18 recreational boat dealers, two boat brokerage operations, and one full-service yacht repair facility. 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. The following are the acquisitions we have completed during the fiscal years ending September 30, 2004 and 2003. No significant acquisitions were completed during the fiscal year ending September 30, 2005.

During the fiscal year ended September 30, 2004, we completed the acquisition of three recreational boat dealers. During June 2004, we acquired substantially all of the assets, including real estate, and assumed certain liabilities of Imperial Marine (Imperial), a privately held boat dealership with locations in Baltimore and the northern Chesapeake area of Maryland, for approximately \$9.3 million in cash, including acquisition costs. Imperial operates a highway location and a marina on the Gunpowder River. The acquisition expands our ability to serve consumers in the Mid-Atlantic United States boating community. Additionally, the acquisition allows us to capitalize on Imperial's market position and leverage our inventory management and inventory financing resources over the acquired locations. The acquisition resulted in the recognition of approximately \$1.1 million in tax deductible goodwill, including acquisition costs, and approximately \$580,000 in tax deductible indefinite-lived intangible assets (dealer agreements). Imperial has been included in our consolidated financial statements since the date of acquisition.

During June 2004, we purchased inventory and certain equipment and assumed certain liabilities from the previous Jacksonville, Florida-based Sea Ray dealer (Jacksonville) for the sport boat and sport cruiser product lines for approximately \$900,000 in cash, including acquisition costs. The purchase enhanced our ability to serve customers in the northeast Florida boating community by adding the sport boat and sport cruiser product lines to our existing Sea Ray product offerings. The acquisition resulted in the recognition of approximately \$240,000 in tax deductible goodwill, including acquisition costs, and approximately \$450,000 in tax deductible indefinite-lived intangible assets (dealer agreements). Jacksonville has been included in our consolidated financial statements since the date of acquisition.

During October 2003, we acquired substantially all of the assets and assumed certain liabilities of Emarine International, Inc. and Steven Myers, Inc. (Emarine), a privately held boat dealership located in Fort Lauderdale, Florida, for approximately \$305,000 in cash. The acquisition resulted in the recognition of approximately \$300,000

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in tax deductible goodwill, including acquisition costs. The acquisition provides us with an established retail location to sell the newly offered Ferretti Group products in the southeast Florida boating community. The assets purchase agreement contained an earn out provision based on the future profits of the location, assuming certain conditions and provisions were met. In August 2004, the earn out provisions were modified withdrawing the requirements for any future earn out payments. Emarine has been included in our consolidated financial statements since the date of acquisition.

During the fiscal year ended September 30, 2003, we completed the acquisition of two recreational boat dealers. During September 2003, we acquired substantially all of the assets and assumed certain liabilities of Killinger Marine Center, Inc. and Killinger Marine Center of Alabama, Inc., a privately held boat dealership with locations in Ft. Walton Beach and Pensacola, Florida and Gulf Shores, Alabama, for approximately \$2.3 million in cash, including acquisition costs. The acquisition resulted in the recognition of approximately \$600,000 in tax deductible goodwill, including acquisition costs, and approximately \$300,000 in tax deductible indefinite-lived intangible assets (dealer agreements). The acquisition expands our ability to serve consumers in the Alabama and Florida panhandle boating communities. Additionally, the acquisition further allows us to leverage our inventory management and inventory financing resources over the acquired locations. Killinger Marine has been included in our consolidated financial statements since the date of acquisition.

During June 2003, we acquired substantially all of the assets and assumed certain liabilities of Sundance Marine, Inc., a privately held boat dealership with locations in Denver and Grand Junction, Colorado, for approximately \$3.3 million in cash, including acquisition costs. The acquisition resulted in the recognition of approximately \$1.7 million in tax deductible goodwill, including acquisition costs, and approximately \$900,000 in tax deductible indefinite-lived intangible assets (dealer agreements). The acquisition expands our ability to serve consumers in the western United States boating community. Additionally, the acquisition further allows us to leverage our inventory management and inventory financing resources over the acquired locations. The asset purchase agreement contains an earn out provision, which will impact the final purchase price annually, based on the future profits of the region through September 2008, assuming certain conditions and provisions are met. Based on these conditions and provisions, approximately \$200,000 has been earned through fiscal 2005. Sundance Marine has been included in our consolidated financial statements since the date of the acquisition.

**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 experience 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, service, and storage operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize revenue from slip and storage services on a straight-line basis over the term of the slip or storage agreement. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when the related boat sales are recognized. We also recognize marketing fees earned on credit life,



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accident and 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 material to our financial statements taken as a whole as of September 30, 2004 or 2005. 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***

In November 2002, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* (EITF 02-16). EITF 02-16 establishes the accounting standards for the recognition and measurement of cash consideration paid by a vendor to a reseller. EITF 02-16 is effective for interim period financial statements beginning after December 15, 2002, with early adoption permitted.

In March 2003, the EITF revised certain provisions of its previously reached conclusions on EITF 02-16 and provided additional transitional guidance. EITF 02-16 does not provide for restatement or reclassification of prior year amounts; rather, it requires prospective application for new agreements or modifications of existing agreements entered into subsequent to December 31, 2002. We determined that EITF 02-16 impacted our accounting for certain consideration received from vendors beginning July 1, 2003 with the renewal of and amendments to our dealer agreements with the manufacturers of our products. EITF 02-16 most significantly 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. Also, based on the requirements of our co-op assistance programs from our manufacturers, EITF 02-16 permits the netting of the assistance against related advertising expenses. We adopted EITF 02-16 prospectively for fiscal 2003 during the quarter ended December 31, 2002. Had we been required to adopt EITF 02-16 at the beginning of fiscal 2003, approximately \$2.9 million of interest assistance that was originally recorded as a reduction of interest expense would have been accounted for as a reduction of cost of sales.

***Inventories***

Inventory costs consist of the amount paid to acquire the inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to relocating inventory prior to sale. New and used boat, motor, and trailer inventories are stated at the lower of cost, determined on a specific-identification basis, or market. Parts and accessories are stated at the lower of cost, determined on the first-in, first-out basis, or market. If the carrying amount of our inventory exceeds its fair value, we reduce the carrying amount to reflect fair value. We utilize our historical experience and current sales trends as the basis for our lower of cost or market analysis. If events occur and market conditions change, causing the fair value to fall below carrying value, further reductions may be required.

***Valuation of Goodwill and Other Intangible Assets***

We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141), and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and identifiable intangible assets acquired in a business combination be recognized as assets and reported separately from goodwill. We have determined that our most significant acquired identifiable intangible assets are dealer agreements, which are indefinite-lived intangible assets. SFAS 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead tested for impairment at least annually and whenever events or changes in circumstances



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indicate that the carrying value may not be recoverable. If the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value, we would recognize an impairment loss. We measure any potential impairment based on various business valuation methodologies, including a projected discounted cash flow method. We completed our last annual impairment test during the fourth quarter of fiscal 2005, based on financial information as of the third quarter of fiscal 2005, which resulted in no impairment of goodwill or identifiable intangible assets. To date, we have not recognized any impairment of goodwill or identifiable intangible assets in the application of SFAS 142. We will continue to test goodwill and identifiable intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Prior to the adoption of SFAS 142, all purchase price in excess of the net tangible assets was recorded as goodwill and no identifiable intangible assets were recognized. Net goodwill and identifiable intangible assets amounted to \$50.5 million and \$5.7 million, respectively, at September 30, 2005.

The most significant estimates used in our goodwill valuation model include estimates of the future growth in our cash flows and future working capital needs to support our projected growth. Should circumstances change causing these assumptions to differ materially than expected, our goodwill may become impaired, resulting in a material adverse effect on our operating margins.

For a more comprehensive list of our accounting policies, including those which involve varying degrees of judgment, see Note 3 *Restatement and 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:

	<b>Fiscal Year Ended September 30,</b>					
	<b>2003</b>		<b>2004</b>		<b>2005</b>	
	<b>(amount in thousands)</b>					
Revenue	\$ 607,501	100.0%	\$ 762,009	100.0%	\$ 947,347	100.0%
Cost of sales	459,729	75.7%	573,616	75.3%	712,843	75.2%
Gross profit	147,772	24.3%	188,393	24.7%	234,504	24.8%
Selling, general, and administrative expenses	113,299	18.7%	139,470	18.3%	169,975	17.9%
Income from operations	34,473	5.7%	48,923	6.4%	64,529	6.8%
Interest expense, net	2,471	0.4%	6,499	0.9%	9,291	1.0%
Income before income tax provision	32,002	5.3%	42,424	5.6%	55,238	5.8%
Income tax provision	12,321	2.0%	16,126	2.1%	21,412	2.3%
Net income	\$ 19,681	3.2%	\$ 26,298	3.5%	\$ 33,826	3.6%

***Fiscal Year Ended September 30, 2005 Compared to Fiscal Year Ended September 30, 2004***

*Revenue.* Revenue increased \$185.3 million, or 24.3%, to \$947.3 million for the fiscal year ended September 30, 2005 from \$762.0 million for the fiscal year ended September 30, 2004. Of this increase, \$11.9 million was attributable to stores opened or acquired that were not eligible for inclusion in the comparable-store base and \$173.4 million was attributable to a 22.8% growth in comparable-store sales in fiscal 2005. The increase in comparable-store sales in fiscal 2005 resulted primarily from an increase of approximately \$160.2 million in boat and yacht sales. This increase in boat and yacht sales on a comparable-store basis helped generate an increase in revenue from our parts, service, finance, and insurance products of approximately \$13.2 million.

*Gross Profit.* Gross profit increased \$46.1 million, or 24.5%, to \$234.5 million for the fiscal year ended September 30, 2005 from \$188.4 million for the fiscal year ended September 30, 2004. Gross profit as a percentage of revenue increased to 24.8% in fiscal 2005 from 24.7% in fiscal 2004. This increase was primarily attributable to an

increase in gross margins on boat sales and improvements in service, finance, insurance, parts, and brokerage revenues, which generally yield higher gross margins than boat sales. The increase in gross profit was partially offset by an increase in yacht sales, which generally yield lower gross margins than boat sales.



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*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses increased \$30.5 million, or 21.9%, to \$170.0 million for the fiscal year ended September 30, 2005 from \$139.5 million for the fiscal year ended September 30, 2004. Selling, general, and administrative expenses as a percentage of revenue decreased approximately 35 basis points to 17.9% for the year ended September 30, 2005 from 18.3% for the year ended September 30, 2004. The decrease as a percentage of revenue was attributable to an approximate 60 basis point decrease in our comparable-stores selling, general, and administrative expenses. This decrease incurred by our comparable-store locations resulted from the leveraging of our operating expense structure, which resulted in decreases in personnel costs and fixed expenses as a percentage of revenue. These decreases were partially offset by an approximate \$4.4 million increase in marketing expenses associated with achieving our level of comparable-store sales growth, the addition and expansion of various product lines, increases in inventory maintenance costs related to support our increase in comparable-store sales and the addition and expansion of various product lines, and an increase in our accrued litigation expense related to a single lawsuit award that we are currently appealing. Additionally, the reduction of the comparable-store expenses was partially offset by an increase in expenses associated with stores opened or acquired that were not eligible for inclusion in the comparable-store base. These opened or acquired stores generally operate at a higher expense structure than our other locations.

*Interest Expense.* Interest expense increased \$2.8 million, or 43.0%, to \$9.3 million for the fiscal year ended September 30, 2005 from \$6.5 million for the fiscal year ended September 30, 2004. Interest expense as a percentage of revenue increased to 1.0% for fiscal 2005 from 0.9% for fiscal 2004. The increase was primarily a result of a less favorable interest rate environment, which accounted for approximately \$2.2 million of the increase, coupled with an increase in the average borrowings associated with our revolving credit facility and mortgages, which accounted for approximately \$600,000.

*Income Tax Provision.* Income taxes increased \$5.3 million, or 32.8%, to \$21.4 million for the fiscal year ended September 30, 2005 from \$16.1 million for the fiscal year ended September 30, 2004 as a result of increased earnings. Our effective tax rate increased to 38.8% for the fiscal year ended September 30, 2005 from 38.0% for the fiscal year ended September 30, 2004 as a result of a review of our effective tax rate calculation for the jurisdictions in which we currently operate.

***Fiscal Year Ended September 30, 2004 Compared to Fiscal Year Ended September 30, 2003***

*Revenue.* Revenue increased \$154.5 million, or 25.4%, to \$762.0 million for the fiscal year ended September 30, 2004 from \$607.5 million for the fiscal year ended September 30, 2003. Of this increase, \$30.1 million was attributable to stores opened or acquired that were not eligible for inclusion in the comparable-store base and \$124.4 million was attributable to a 20.7% growth in comparable-store sales in fiscal 2004. The increase in comparable-store sales in fiscal 2004 resulted primarily from an increase of approximately \$117.5 million in boat sales, primarily sales from existing product lines of approximately \$71.5 million and sales from new product lines added over the past 24 months of approximately \$46.0 million. These increases in boat sales helped generate increases in sales of our finance, insurance, parts, and service products of approximately \$6.9 million.

*Gross Profit.* Gross profit increased \$40.6 million, or 27.5%, to \$188.4 million for the fiscal year ended September 30, 2004 from \$147.8 million for the fiscal year ended September 30, 2003. Gross profit margin as a percentage of revenue increased to 24.7% for fiscal 2004 from 24.3% for fiscal 2003. This increase was primarily attributable to an increase in smaller, higher margin boat sales, a general increase in gross profit margins of most categories of boat sales, and incremental improvements in finance, insurance, brokerage, parts, and service revenues, which generally yield higher gross profits than boat sales. Gross profit as a percentage of revenue increased by approximately 20 basis points as a result of the implementation of EITF 02-16, which 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.

*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses increased \$26.2 million, or 23.1%, to \$139.5 million for the fiscal year ended September 30, 2004 from \$113.3 million for the fiscal year ended September 30, 2003. This increase was primarily attributable to additional expenses, including marketing, incurred by our comparable-store locations associated with the comparable-store sales increase and approximately \$600,000 to protect and repair our facilities and inventories from hurricanes in fiscal 2004. Selling,

general, and administrative expenses as a percentage of revenue decreased to 18.3% for fiscal 2004 from 18.7% for  
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fiscal 2003. The decrease in selling, general, and administrative expenses as a percentage of revenue was attributable to additional leveraging of our expense structure resulting from our comparable-store sales increase, partially offset by the hurricane related expenses and stores opened or acquired that operate at a higher expense structure than our other locations.

*Interest Expense.* Interest expense increased \$4.0 million, or 160.0%, to \$6.5 million for the fiscal year ended September 30, 2004 from \$2.5 million for the fiscal year ended September 30, 2003. Interest expense as a percentage of revenue increased to 0.9% for fiscal 2004 from 0.4% for fiscal 2003. The increase in total interest charges was a result of the implementation of EITF 02-16, which increased interest expense by approximately \$2.7 million. Additionally, interest expense increased by approximately \$1.3 million as a result of additional borrowings associated with our revolving credit facility and mortgages, partially offset by a more favorable interest rate environment.

*Income Tax Provision.* Income taxes increased \$3.8 million, or 30.9%, to \$16.1 million for the fiscal year ended September 30, 2004 from \$12.3 million for the fiscal year ended September 30, 2003 as a result of increased earnings. Our effective tax rate decreased to 38.0% for the fiscal year ended September 30, 2004 from 38.5% for the fiscal year ended September 30, 2003 as a result of a review of our effective tax rate calculation for the jurisdictions in which we currently operate.

**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 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.

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 locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as was the case during the 2004 and 2005 hurricane season when Florida and other markets were affected by numerous 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.

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.

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The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	March 31, 2005	June 30, 2005	September 30, 2005
(amounts in thousands except share and per share data)								
Revenue	\$ 156,659	\$ 202,316	\$ 219,729	\$ 183,305	\$ 184,188	\$ 228,384	\$ 306,141	\$ 228,634
Cost of sales	121,559	157,160	164,691	130,206	140,064	173,368	235,475	163,936
Gross profit	35,100	45,156	55,038	53,099	44,124	55,016	70,666	64,698
Selling, general, and administrative expenses	30,015	34,269	36,602	38,584	37,140	40,921	45,903	46,011
Income from operations	5,085	10,887	18,436	14,515	6,984	14,095	24,763	18,687
Interest expense	1,459	1,701	1,706	1,633	2,384	2,704	2,267	1,936
Income before income tax provision	3,626	9,186	16,730	12,882	4,600	11,391	22,496	16,751
Income tax provision	1,396	3,537	6,324	4,869	1,771	4,385	8,661	6,595
Net income	\$ 2,230	\$ 5,649	\$ 10,406	\$ 8,013	\$ 2,829	\$ 7,006	\$ 13,835	\$ 10,156
Net income per share:								
Diluted	\$ 0.14	\$ 0.34	\$ 0.61	\$ 0.48	\$ 0.17	\$ 0.39	\$ 0.74	\$ 0.54
Weighted average number of shares:								
Diluted	16,280,368	16,728,845	16,937,505	16,717,805	16,959,020	17,834,520	18,633,251	18,703,958

**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. 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 growth to determine the adequacy of our financing needs. These cash needs have historically been financed with cash generated from operations and borrowings under our line of credit facility. We currently depend upon dividends and other payments from our consolidated operating subsidiaries, and our line of credit facility to fund our current

operations and meet our cash needs. Currently, no agreements exist that restrict this flow of funds from our operating subsidiaries.

For the fiscal year ended September 30, 2003, cash provided by operating activities approximated \$28.4 million. For the fiscal years ended September 30, 2004 and 2005, cash used in operating activities was approximately \$30.0 million and \$13.8 million, respectively. For the fiscal year ended September 30, 2003, in addition to net income, cash provided by operating activities was due primarily to a decrease in inventories and an increase in accounts payable due to the timing of certain payments to our manufacturers, partially offset by an increase in accounts receivable due to increased revenues. For the fiscal year ended September 30, 2004, cash used in operating activities was due primarily to an increase in inventories due to the addition of new product lines, the continued expansion of existing product lines, and to ensure appropriate inventory levels, partially offset by net income, an increase in accounts payable due to the timing of certain payments to our manufacturers, and an increase in customer deposits. For the fiscal year ended September 30, 2005, cash used in operating activities was due primarily to a decrease in accounts payable due to the timing of certain payments to our manufacturers and an increase in inventories due to the continued expansion of existing product lines and to ensure appropriate inventory levels, partially offset by net income and an increase in customer deposits.

For the fiscal years ended September 30, 2003, 2004, and 2005, cash used in investing activities was approximately \$19.4 million, \$20.2 million, and \$17.9 million, respectively. For the fiscal years ended September 30, 2003 and 2004, cash used in investing activities was primarily used in business acquisitions and to purchase property and equipment associated with opening new retail facilities or improving and relocating existing retail facilities. For the fiscal year ended September 30, 2005 cash used in investing activities was primarily used to purchase property and equipment associated with opening new retail facilities or improving and relocating existing retail facilities.

For the fiscal year ended September 30, 2003, cash used in financing activities approximated \$2.8 million. For the fiscal years ended September 30, 2004 and 2005, cash provided by financing activities was approximately \$54.7 million and \$43.9 million, respectively. For the fiscal year ended September 30, 2003, cash used in financing activities was primarily attributable to repayments of long-term debt and net repayments on short-term borrowings,

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partially offset by proceeds from common shares issued upon the exercise of stock options and under the employee stock purchase plan. For the fiscal year ended September 30, 2004, cash provided by financing activities was primarily attributable to proceeds from net borrowings on short-term borrowings as a result of increased inventory levels and borrowings on long-term debt on equipment and real estate acquired, and proceeds from common shares issued upon the exercise of stock options and under the employee stock purchase plan, partially offset by repayments of long-term debt. For the fiscal year ended September 30, 2005, cash provided by financing activities was primarily attributable to proceeds from common shares issued through the February 2005 public offering, upon the exercise of stock options, and stock purchases under our employee stock purchase plan, partially offset by net repayments on short-term borrowings as a result of using the proceeds from the issuance of common shares through the February 2005 public offering and repayments of long-term debt.

As of September 30, 2005, our indebtedness totaled approximately \$180.1 million, of which approximately \$30.1 million was associated with our real estate holdings and \$150.0 million was associated with financing our inventory and working capital needs.

During February 2005, we entered into an amended and restated credit and security agreement with four financial institutions. The credit facility provides us a line of credit with asset-based borrowing availability of up to \$340 million for working capital inventory financing, with the amount of permissible borrowings determined pursuant to a borrowing base formula. The credit facility also permits approved-vendor floorplan borrowings of up to \$20 million. The credit facility accrues interest at the London Interbank Offered Rate (LIBOR) plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowings to our tangible net worth. The credit facility is secured by our inventory, accounts receivable, equipment, furniture, and fixtures. The credit facility requires us to satisfy certain covenants, including maintaining a leverage ratio tied to our tangible net worth. The credit facility matures in March 2008, with two one-year renewal options remaining. As of September 30, 2005, we were in compliance with all of the credit facility covenants.

Prior to the February 2005 amended and restated credit and security agreement, our line of credit provided us with asset based borrowing availability of up to \$260 million for working capital and inventory financing and permitted \$20 million in approved-vendor floorplan borrowings, all of which were determined pursuant to a borrowing base formula. The facility bore interest at LIBOR plus 175 to 260 basis points, which was determined in accordance with a Performance Pricing grid, as defined in the credit facility. The credit facility required us to satisfy certain covenants, including maintaining a tangible net worth ratio.

During the fiscal years ended September 30, 2003, 2004, and 2005, we completed the acquisition of five marine retail operations. We acquired the net assets, related property, and buildings and assumed or retired certain liabilities, including the outstanding floorplan obligations related to new boat inventories, for approximately \$16.1 million in cash, including acquisition costs.

Except as specified in this Management's Discussion and Analysis of Financial Condition, and Results of Operations (Restated) 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.

**Table of Contents****Contractual Commitments and Commercial Commitments**

The following table sets forth a summary of our material contractual obligations and commercial commitments as of September 30, 2005:

Year Ending September 30,	Line of Credit	Long-Term Operating		Total
		Debt	Leases	
		(amounts in thousands)		
2006	\$ 150,000	\$ 4,635	\$ 6,758	\$ 161,393
2007		3,539	6,729	10,268
2008		3,429	5,167	8,596
2009		3,523	2,036	5,559
2010		3,584	1,008	4,592
Thereafter		11,375	927	12,302
Total	\$ 150,000	\$ 30,085	\$ 22,625	\$ 202,710

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

At September 30, 2005, approximately 94.9% of our short- and long-term debt bore interest at variable rates, generally tied to a reference rate such as the LIBOR rate or the prime rate of interest of certain banks. Changes in interest rates on loans from these financial institutions could affect our earnings as a result of interest rates charged on certain underlying obligations that are variable. At September 30, 2005, a hypothetical 100 basis point increase in interest rates on our variable rate obligations would have resulted in an increase of approximately \$1.7 million in annual pre-tax interest expense. This estimated increase is based upon the outstanding balances of all of our variable rate obligations and assumes no mitigating changes by us to reduce the outstanding balances or additional interest assistance that would be received from vendors due to the hypothetical interest rate increase.

Products purchased from the Italy-based Ferretti 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. Accordingly, fluctuations in the value of the Euro as compared with the U.S. dollar may impact the price points at which we can sell profitably Ferretti 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 Ferretti Group product line. We cannot predict the effects of exchange rate fluctuations on our operating results. We are not currently engaged in any foreign currency exchange hedging transactions to manage our foreign currency exposure that could have a significant impact on our operations. If and when we do engage in material 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 statement, 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****Restatement**

See Note 3 Restatement and Significant Accounting Policies, of Notes to Consolidated Financial Statements, which fully describes the restatement of our previously issued financial statements to change the presentation of short-term borrowings and repayments related to new and used boat inventory in the consolidated statements of cash flows. This change in presentation has no impact on previously reported net income, earnings per share, revenue,

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cash, total assets, or stockholders' equity. The change in presentation will also not affect our compliance with any financial covenant or debt instrument with respect to any of our indebtedness.

**Evaluation of Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that we record, process, summarize, and report information required to be disclosed by us in our reports filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission (the SEC) rules and forms. We evaluate the effectiveness of our disclosure controls and procedures as required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO). In connection with the restatement, as more fully described in Note 3 Restatement and Significant Accounting Policies, of Notes to Consolidated Financial Statements, with the participation of our CEO and CFO, we reevaluated the effectiveness of our disclosure controls and procedures.

Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2, defines a material weakness in internal control over financial reporting as a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. PCAOB Auditing Standard No. 2 identifies a number of circumstances that, because of their likely significant negative effects on internal control over financial reporting, are to be regarded as at least significant deficiencies as well as strong indicators that a material weakness exists, including the restatement of previously issued financial statements to reflect the correction of a misstatement.

We reevaluated the effectiveness of our disclosure controls and procedures utilizing current literature, primarily the provisions of PCAOB Auditing Standard No. 2, which defines a restatement as a strong indicator of a material weakness. Based on the information, facts and guidance available during our reevaluation on May 2, 2006, we concluded that the control deficiency over the classification of short-term borrowings and repayments related to new and used boat inventory presented in the consolidated statements of cash flows was a material weakness in our internal control over financial reporting and our disclosure controls and procedures were not effective as of September 30, 2005.

**Remediation of Material Weakness in Internal Control and Changes in Internal Control over Financial Reporting**

Subsequent to March 31, 2006, we remediated the material weakness described above with the reclassification of our consolidated statements of cash flows relating to short-term borrowings and repayments related to new and used boat inventory from operating cash flows to financing cash flows in conformity with SFAS 95 and the restatement of our consolidated statements of cash flows for the years ended September 30, 2003, 2004 and 2005 and for the three months ended December 31, 2005.

In conjunction with our reevaluation, other than the matter described above, we have not been required to take any additional remedial action to remediate the material weakness in our internal control over financial reporting. We continue to monitor new and emerging accounting guidance and industry interpretations to assist in our application of Generally Accepted Accounting Principles. Accordingly, we are confident that, as of the date of this filing, we have fully remediated the material weakness in our internal control over financial reporting.

In connection with this amended Form 10-K, under the direction of our CEO and CFO, we have evaluated our disclosure controls and procedures currently in effect, including the remedial actions described above, and have concluded that, as of this date, our disclosure controls and procedures are effective.

**Management's Report on Internal Control Over Financial Reporting (as revised)**

Management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities and Exchange Act. Under the supervision and with the participation of management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2005, as required by Rule 13a-15(c) of the Securities Exchange Act of 1934, and using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*.

In our Annual Report on Form 10-K for the year ended September 30, 2005, filed on December 12, 2005, we concluded that our internal control over financial reporting was effective as of September 30, 2005. In response to



recently published comments of the Staff of the SEC, recent restatements made by public automotive dealers, recent discussions with the SEC Staff, our review of PCAOB Auditing Standard No. 2 and recent discussions with Ernst & Young, LLP, our independent registered public

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accounting firm, we reevaluated the effectiveness of our internal control over financial reporting. Based on the information, facts and guidance available during our reevaluation on May 2, 2006, we concluded that the control deficiency over the classification of short-term borrowings and repayments related to new and used boat inventory in our consolidated statements of cash flows was a material weakness in our internal control over financial reporting.

The subsequent reevaluation described above, caused us to amend our Annual Report on Form 10-K for the year ended September 30, 2005, in order to restate our consolidated statements of cash flows for the years ended September 30, 2003, 2004, and 2005 and to restate our consolidated statements of cash flows for the three months ended December 31, 2005. Due to the subsequent reevaluation described above, we have revised our earlier assessment and have now concluded that our internal control over financial reporting was not effective as of September 30, 2005.

Our revised assessment of the effectiveness of our internal controls over financial reporting as of September 30, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their audit report which appears below.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Stockholders of MarineMax, Inc.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting (as revised), that MarineMax, Inc. did not maintain effective internal control over financial reporting as of September 30, 2005, because of the effect of a material weakness in the Company's internal control that arose from the Company's incorrect interpretation and application of generally accepted accounting principles relating to classification of short-term borrowings in the Statements of Cash Flows, 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.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, 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.

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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 report dated December 8, 2005, we expressed an unqualified opinion on management's previous assessment that the Company maintained effective internal control over financial reporting and an unqualified opinion on the effectiveness of internal control over financial reporting. As described in the following paragraph, the Company subsequently identified a misstatement in its annual and quarterly financial statements. Such matter was considered to be a material weakness as further discussed in the following paragraph. Accordingly management has revised its assessment about the effectiveness of the Company's internal control over financial reporting and our present opinion on the effectiveness of the Company's internal control over financial reporting as of September 30, 2005, as expressed herein, is different from that expressed in our previous report.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. Subsequent to September 30, 2005, management concluded that its historical accounting practices relating to classification of short-term borrowings in the Statements of Cash Flows were not in accordance with generally accepted accounting principles due to insufficient controls over the interpretation and application of generally accepted accounting principles related to classification of short-term borrowings in the Statements of Cash Flows. Management concluded that such incorrect interpretation and application of generally accepted accounting principles classification of short-term borrowings in the Statements of Cash Flows constituted a material weakness in internal control over financial reporting as of September 30, 2005. As a result of this material weakness in internal control, management concluded the Statements of Cash Flows should be restated to properly classify short-term borrowings from an operating cash flow to a financing cash flow. See Note 3 to the consolidated financial statements for a full discussion of the effects of these changes to the Company's consolidated financial statements. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements, and this report does not affect our report dated December 8, 2005, except for Note 3, as to which the date is June 7, 2006, on those consolidated financial statements.

In our opinion, management's revised assessment that MarineMax, Inc. did not maintain effective internal control over financial reporting as of September 30, 2005, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, MarineMax, Inc. has not maintained effective internal control over financial reporting as of September 30, 2005, based on the COSO control criteria.

/s/ Ernst & Young LLP

Tampa, Florida,  
December 8, 2005, except for the effects of the  
material weakness described in the sixth paragraph  
above, as to which the date is June 7, 2006.

**Item 9B. Other Information**

Not applicable.

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**PART III**

**Item 10. *Directors and Executive Officers of the Registrant***

The information required by this Item relating to our directors is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2006 Annual Meeting of Stockholders. The information required by this Item relating to our executive officers included in Business Executive Officers.

**Item 11. *Executive Compensation***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2006 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 to be filed pursuant to Regulation 14A of the Exchange Act for our 2006 Annual Meeting of Stockholders.

**Item 13. *Certain Relationships and Related Transactions***

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2006 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 to be filled pursuant to Regulation 14A of the Exchange Act for our 2006 Annual Meeting of Stockholders.

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**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 amended report.

(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.

**(b) Exhibits**

<b>Exhibit Number</b>	<b>Exhibit</b>
3.1	Restated Certificate of Incorporation of the Registrant, including all amendments to date (7)
3.2	Amended and Restated Bylaws of the Registrant (7)
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock (7)
4.1	Specimen of Common Stock Certificate (7)
4.2	Rights Agreement, dated August 28, 2001 between Registrant and American Stock Transfer & Trust Company, as Rights Agent (3)
10.1(a)	Merger Agreement between Registrant and its acquisition subsidiary and Bassett Boat Company of Florida and Richard Bassett (1)
10.1(b)	Merger Agreement between Registrant and its acquisition subsidiary and 11502 Dumas, Inc. d/b/a Louis DelHomme Marine and its stockholders (1)
10.1(c)	Merger Agreement between Registrant and its acquisition subsidiary and Gulfwind USA, Inc. and its stockholders (1)
10.1(d)	Merger Agreement between Registrant and its acquisition subsidiary and Gulfwind South, Inc. and its stockholders (1)
10.1(e)	Merger Agreement between Registrant and its acquisition subsidiary and Harrison's Boat Center, Inc. and its stockholders (1)
10.1(f)	Merger Agreement between Registrant and its acquisition subsidiary and Harrison's Marine Centers of Arizona, Inc. and its stockholders (1)
10.1(g)	Merger Agreement between Registrant and its acquisition subsidiary and Stovall Marine, Inc. and its stockholders (1)
10.1(h)	Agreement of Merger and Plan of Reorganization dated as of the 7th day of July, 1998 by and among MarineMax, Inc., C & N Acquisition Corp. (a subsidiary of MarineMax, Inc.), C & N Marine Corporation and the Stockholders named therein (2)
10.1(i)	Agreement of Merger and Plan of Reorganization dated as of the 7th day of July, 1998 by and among MarineMax, Inc., Cochran's Acquisition Corp. (a subsidiary of MarineMax, Inc.), Cochran's Marine, Inc.

and the Stockholders named therein (2)

- 10.1(j) Asset Purchase Agreement between Registrant and Treasure Cove Marina, Inc. (3)
- 10.2(a) Contribution Agreement between Registrant and Bassett Boat Company and its owner (1)
- 10.2(b) Contribution Agreement between Registrant and Bassett Realty, L.L.C. and its owner (1)
- 10.2(c) Contribution Agreement between Registrant and Gulfwind South Realty, L.L.C. and its owners (1)
- 10.2(d) Contribution Agreement between Registrant and Harrison s Realty, L.L.C. and its owners (1)
- 10.2(e) Contribution Agreement between Registrant and Harrison s Realty California, L.L.C. and its owners (1)
- 10.3(e) Employment Agreement between Registrant and William H. McGill Jr. (9)
- 10.3(f) Employment Agreement between Registrant and Michael H. McLamb (9)
- 10.3(g) Employment Agreement dated August 18, 2004 between Registrant and Michael H. McLamb (11)
- 10.4 1998 Incentive Stock Plan, as amended through November 15, 2000 (8)
- 10.5 1998 Employee Stock Purchase Plan (1)
- 10.6 Settlement Agreement between Brunswick Corporation and Registrant (1)
- 10.7 Letter of Intent between Registrant and Stovall (1)

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<b>Exhibit Number</b>	<b>Exhibit</b>
10.8	Restated Agreement Relating to the Purchase of MarineMax Common Stock between Registrant and Brunswick Corporation, dated as of April 28, 1998 (1)
10.9	Stockholders Agreement among Registrant, Brunswick Corporation, and Senior Founders of Registrant, dated April 28, 1998 (1)
10.10	Governance Agreement between Registrant and Brunswick Corporation, dated April 28, 1998 (1)
10.11	Dealer Agreement dated December 7, 2005 between the Sea Ray Division of Brunswick Corporation and MarineMax, Inc. (12)
10.12	Agreement Relating to Acquisitions dated December 7, 2005 between the Sea Ray Division of Brunswick Corporation and the Principal Operating Subsidiaries of MarineMax, Inc. (12)
10.17	Credit and Security Agreement dated as of December 18, 2001 among the Registrant and its subsidiaries, as Borrowers, and Banc of America Specialty Finance, Inc. and various other lenders, as Lenders (8)
10.17(a)	Amendment No. 2 to Credit and Security Agreement dated January 30, 2004 among the Registrant and its subsidiaries as Borrowers, Keybank National Association, N.A., Bank of America, N.A., and various other lenders, as Lenders (10)
10.18	Hatteras Sales and Service Agreement, dated July 1, 2003 among the Registrant, MarineMax Motor Yachts, LLC, and Hatteras Yachts Division of Brunswick Corporation (10)
10.19	Dealer Agreement, effective September 30, 2003 among the Registrant, Ferretti Group USA, Inc., and Bertram Yacht, Inc. (13)
10.20	Amended and Restated Credit and Security Agreement executed on February 15, 2005 effective as of February 3, 2005 among the Registrant and its subsidiaries, as Borrowers, Keybank National Association and Bank of America, N.A., and various other lenders as Lenders (14)
10.20(a)	Amendment No. 1 to Amended and Restated Credit and Security Agreement dated April 8, 2005 among the Registrant and its subsidiaries, as Borrowers, Keybank National Association and Bank of America, N.A., and various other lenders as Lenders (15)
21	List of Subsidiaries (16)
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	

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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.

- (1) Incorporated by reference to Registration Statement on Form S-1 (Registration 333-47873).
- (2) Incorporated by reference to Registrant's Current Report on Form 8-K dated July 7, 1998, as filed on July 20, 1998.
- (3) Incorporated by reference to Registrant's Form 8-K Report dated September 30, 1998, as filed on October 20, 1998.
- (4) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 1998, as filed on December 9, 1998.
- (5) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 1999, as filed on December 29



1999.

- (6) Incorporated by reference to Registration Statement on Form 8-A as filed on September 5, 2001.

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- (7) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2001, as filed on December 20, 2001.
- (8) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2001, as filed on February 14, 2002.
- (9) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2002, as filed on February 14, 2003.
- (10) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2003, as filed on February 17, 2004.
- (11) Incorporated by reference to Registrant's Form 10-K for the year ended September 30,

2004, as filed on  
December 13,  
2004.

(12) Incorporated by  
reference to  
Registrant's  
Form 8-K  
Report as filed  
on December 9,  
2005.

(13) Incorporated by  
reference to  
Registrant's  
Form 10-Q for  
the quarterly  
period ended  
December 31,  
2004, as filed on  
February 9,  
2005.

(14) Incorporated by  
reference to  
Registrant's  
Form 8-K  
Report dated  
February 15,  
2005, as filed on  
February 18,  
2005.

(15) Incorporated by  
reference to  
Registrant's  
Form 10-Q for  
the quarterly  
period ended  
March 31, 2005,  
as filed on  
May 5, 2005.

(16) Previously filed.

**(c) Financial Statement Schedules**

(1) See Item 15(a) above.

**Table of Contents****SIGNATURES**

In accordance with 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: June 13, 2006

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.

<b>Signature</b>	<b>Capacity</b>	<b>Date</b>
/s/ WILLIAM H. MCGILL JR.  William H. McGill Jr.	Chairman of the Board, President, and Chief Executive Officer (Principal  Executive Officer)	June 13, 2006
/s/ MICHAEL H. McLAMB  Michael H. McLamb	Executive Vice President, Chief Financial Officer, Secretary, and Director  (Principal Accounting and Financial Officer)	June 13, 2006
/s/ ROBERT D. BASHAM  Robert D. Basham	Director	June 13, 2006
/s/ HILLIARD M. EURE III  Hilliard M. Eure III	Director	June 13, 2006
/s/ JOHN B. FURMAN  John B. Furman	Director	June 13, 2006
/s/ ROBERT S. KANT  Robert S. Kant	Director	June 13, 2006
/s/ JOSEPH A. WATTERS  Joseph A. Watters	Director	June 13, 2006

/s/ DEAN S. WOODMAN

Director

June 13, 2006

Dean S. Woodman

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of  
MarineMax, Inc.

We have audited the accompanying consolidated balance sheets of MarineMax, Inc. and subsidiaries as of September 30, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2005. 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2005, in conformity with U.S. generally accepted accounting principles.

As more fully described in Note 3 to the consolidated financial statements, the accompanying consolidated statements of cash flows for each of the three fiscal years in the period ending September 30, 2005 have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of MarineMax, Inc.'s internal control over financial reporting as of September 30, 2005, 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, 2005, except for the effects of the material weakness described in the sixth paragraph of that report, as to which the date is June 7, 2006, expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of internal control over financial reporting.

/s/ Ernst & Young LLP

Tampa, Florida,

December 8, 2005, except for Note 3, as to which  
the date is June 7, 2006.

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**MARINEMAX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands except share and per share data)

	<b>September 30, 2004</b>	<b>September 30, 2005</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 15,076	\$ 27,271
Accounts receivable, net	24,977	26,235
Inventories, net	283,797	317,705
Prepaid expenses and other current assets	5,966	6,934
Deferred tax assets	3,465	4,956
<b>Total current assets</b>	<b>333,281</b>	<b>383,101</b>
Property and equipment, net	84,507	99,994
Goodwill and other intangible assets, net	55,862	56,184
Other long-term assets	709	211
<b>Total assets</b>	<b>\$ 474,359</b>	<b>\$ 539,490</b>

**LIABILITIES AND STOCKHOLDERS EQUITY**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 55,841	\$ 18,146
Customer deposits	15,917	25,793
Accrued expenses	17,625	21,096
Short-term borrowings	153,000	150,000
Current maturities of long-term debt	2,885	4,635
<b>Total current liabilities</b>	<b>245,268</b>	<b>219,670</b>
Deferred tax liabilities	8,918	10,771
Long-term debt, net of current maturities	23,352	25,450
<b>Total liabilities</b>	<b>277,538</b>	<b>255,891</b>

**COMMITMENTS AND CONTINGENCIES****STOCKHOLDERS EQUITY:**

Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding at September 30, 2004 and 2005		
Common stock, \$.001 par value; 24,000,000 shares authorized, 15,711,012 and 17,678,087 shares issued and outstanding at September 30, 2004 and	16	18



2005, respectively		
Additional paidin capital	70,325	125,672
Deferred stock compensation		(2,397)
Retained earnings	127,098	160,924
Treasury stock, at cost, 30,000 shares held at September 30, 2004 and 2005	(618)	(618)
Total stockholders equity	196,821	283,599
Total liabilities and stockholders equity	\$ 474,359	\$ 539,490

See accompanying notes.

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**MARINEMAX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands except share and per share data)

	<b>For the Year Ended September 30, 2003</b>	<b>For the Year Ended September 30, 2004</b>	<b>For the Year Ended September 30, 2005</b>
Revenue	\$ 607,501	\$ 762,009	\$ 947,347
Cost of sales	459,729	573,616	712,843
Gross profit	147,772	188,393	234,504
Selling, general, and administrative expenses	113,299	139,470	169,975
Income from operations	34,473	48,923	64,529
Interest expense	2,471	6,499	9,291
Income before income tax provision	32,002	42,424	55,238
Income tax provision	12,321	16,126	21,412
Net income	\$ 19,681	\$ 26,298	\$ 33,826
Basic net income per common share	\$ 1.28	\$ 1.69	\$ 2.01
Diluted net income per common share	\$ 1.26	\$ 1.58	\$ 1.88
Weighted average number of common shares used in computing net income per common share:			
Basic	15,337,873	15,585,314	16,815,445
Diluted	15,671,470	16,666,107	18,032,533

See accompanying notes.

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

(Amounts in thousands except share data)

	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Deferred Stock Compensation</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total Stockholders Equity</b>
BALANCE, September 30, 2002	15,285,704	\$ 15	\$ 64,037	\$	\$ 81,156	\$ (18)	\$ 145,190
Net income					19,681		19,681
Purchase of treasury stock	(15,000)					(134)	(134)
Issuance of treasury stock	17,349		(121)		(31)	152	
Shares issued under employee stock purchase plan	32,335		365				365
Shares issued upon exercise of stock options	52,705		624				624
Stock-based compensation	28,593		275				275
Tax benefit of options exercised			55				55
 BALANCE, September 30, 2003	 15,401,686	 15	 65,235		 100,806		 166,056
Net income					26,298		26,298
Purchase of treasury stock	(32,000)					(678)	(678)
Issuance of treasury stock	2,000				(6)	60	54
Shares issued under employee stock purchase plan	64,429		636				636
Shares issued upon exercise of stock options	271,338	1	2,964				2,965
Stock-based compensation	3,559		80				80
Tax benefit of options exercised			1,410				1,410

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BALANCE, September 30, 2004	15,711,012	16	70,325		127,098	(618)	196,821
Net income					33,826		33,826
Shares issued under employee stock purchase plan	51,727		1,018				1,018
Shares issued upon exercise of stock options	379,567		4,268				4,268
Shares issued through public offering	1,429,000	2	44,201				44,203
Stock-based compensation	106,781		3,132	(3,027)			105
Amortization of deferred stock compensation					630		630
Tax benefit of options exercised			2,728				2,728
 BALANCE, September 30, 2005	 17,678,087	 \$ 18	 \$ 125,672	 \$ (2,397)	 \$ 160,924	 \$ (618)	 \$ 283,599

See accompanying notes.

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**MARINEMAX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	<b>For the Year Ended September 30, 2003 (Restated *)</b>	<b>For the Year Ended September 30, 2004 (Restated *)</b>	<b>For the Year Ended September 30, 2005 (Restated *)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 19,681	\$ 26,298	\$ 33,826
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	4,440	5,273	6,118
Deferred income tax provision	1,001	180	363
(Gain) / loss on sale of property and equipment	(29)	1	(136)
Stock-based compensation expense	275	80	735
Tax benefit of options exercised	55	1,410	2,728
(Increase) / decrease in			
Accounts receivable, net	(7,356)	(3,220)	(1,258)
Inventories, net	8,309	(110,369)	(31,143)
Prepaid expenses and other assets	148	(1,640)	(659)
Increase / (decrease) in			
Accounts payable	3,025	43,439	(37,720)
Customer deposits	732	5,989	9,876
Accrued expenses	(1,897)	2,608	3,471
Net cash provided by / (used in) operating activities	28,384	(29,951)	(13,799)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(8,988)	(10,174)	(17,795)
Net cash used in business acquisitions	(10,716)	(10,232)	(650)
Proceeds from sale of property and equipment	258	235	571
Net cash used in investing activities	(19,446)	(20,171)	(17,874)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings of long-term debt		3,200	3,271
Repayments of long-term debt	(2,422)	(2,426)	(3,463)
Net (repayments) / borrowings on short-term borrowings	(1,186)	50,939	(5,429)
Purchases of treasury stock	(134)	(678)	
Net proceeds from issuance of common stock through public offering			44,203
Net proceeds from issuance of common stock under option and employee purchase plans	989	3,655	5,286
Net cash (used in) / provided by financing activities	(2,753)	54,690	43,868
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS:</b>	<b>6,185</b>	<b>4,568</b>	<b>12,195</b>

CASH AND CASH EQUIVALENTS, beginning of period	4,323	10,508	15,076
CASH AND CASH EQUIVALENTS, end of period	\$ 10,508	\$ 15,076	\$ 27,271

Supplemental Disclosures of Non-Cash Financing Activities:

Long-term debt assumed for property and equipment purchases	\$ 3,000	\$ 3,120	\$ 4,040
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\* See Note 3  
Restatement and  
Significant  
Accounting  
Policies  
Restatement

See accompanying notes.

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**MARINEMAX, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Restated)**

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

We were incorporated in Delaware in January 1998, and 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. As of September 30, 2005, we operated through 71 retail locations in 17 states, consisting of Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, Tennessee, Texas, and Utah.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Meridian, and Hatteras Yachts, all of which are manufactured by Brunswick Corporation (Brunswick), the world's largest manufacturer of marine products. Sales of new Brunswick boats accounted for approximately 65%, 60%, and 60% of our revenue in fiscal 2003, 2004, and 2005, respectively. We believe we represented approximately 10% of all Brunswick marine product sales during the same periods.

We have entered into dealership agreements with Sea Ray, Boston Whaler, Meridian, Hatteras Yachts, Mercury Marine, and Baja Marine Corporation, all subsidiaries or divisions of Brunswick. We also have dealer agreements with Ferretti Group and Bertram. 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.

As of September 30, 2005, each of our operating dealership subsidiaries that carry the Sea Ray product line was a party to a ten-year dealer agreement with Brunswick covering Sea Ray products, and is the exclusive dealer of Sea Ray boats in its geographic markets. The dealer agreement was entered into in 1998. Our subsidiary, MarineMax Motor Yachts, LLC, is a party to a dealer agreement with Hatteras Yachts. The agreement gives us the right to sell Hatteras Yachts throughout the state of Florida (excluding the Florida Panhandle) and the state of Texas, as well as the U.S. distribution rights for Hatteras products over 82 feet. Our subsidiary, MarineMax International, LLC, is a party to a dealer agreement with Ferretti Group and Bertram Yachts, which expires in August 2007. The agreement appoints us as the exclusive dealer for Ferretti Yachts, Pershing, Riva, Apremare, and Mochi Craft mega-yachts, yachts and other recreational boats for the United States, Canada, and the Bahamas. The agreement also appoints us as the exclusive dealer for Bertram in the United States (excluding the Florida peninsula and certain portions of New England), Canada, and the Bahamas.

As is typical in the industry, we deal with manufacturers, other than the Sea Ray division of Brunswick, the Ferretti Group, and Bertram, 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 for any reason, including 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 Brunswick 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. Additionally, a change in suppliers could cause a loss of revenue, which would affect operating results adversely.

In order to maintain consistency and 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.

**Table of Contents****2. ACQUISITIONS:**

We conducted no operations until the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have acquired 18 recreational boat dealers, two boat brokerage operations, and one full-service yacht repair facility. 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. The following are the acquisitions we have completed during the fiscal years ending September 30, 2003 and 2004. No significant acquisitions were completed during the fiscal year ending September 30, 2005.

During June 2003, we acquired substantially all the assets and assumed certain liabilities of Sundance Marine, Inc., a privately held boat dealership with locations in Denver and Grand Junction, Colorado, for approximately \$3.3 million in cash, including acquisition costs. The acquisition resulted in the recognition of approximately \$1.7 million in tax deductible goodwill, including acquisition costs, and approximately \$900,000 in tax deductible indefinite-lived intangible assets (dealer agreements). The acquisition expands our ability to serve consumers in the western United States boating community. Additionally, the acquisition further allows us to leverage our inventory management and inventory financing resources over the acquired locations. The asset purchase agreement contains an earn out provision, which will impact the final purchase price annually, based on the future profits of the region through September 2008, assuming certain conditions and provisions are met. Based on these conditions and provisions, approximately \$200,000 has been earned through fiscal 2005 and accounted for as an adjustment to the recognized amount of tax deductible goodwill. Sundance Marine has been included in our consolidated financial statements since the date of acquisition.

During September 2003, we acquired substantially all of the assets and assumed certain liabilities of Killinger Marine Center, Inc. and Killinger Marine Center of Alabama, Inc., a privately held boat dealership with locations in Ft. Walton Beach and Pensacola, Florida and Gulf Shores, Alabama, for approximately \$2.3 million in cash, including acquisition costs. The acquisition resulted in the recognition of approximately \$600,000 in tax deductible goodwill, including acquisition costs, and approximately \$300,000 in tax deductible indefinite-lived intangible assets (dealer agreements). The acquisition expands our ability to serve consumers in the Alabama and Florida panhandle boating communities. Additionally, the acquisition further allows us to leverage our inventory management and inventory financing resources over the acquired locations. Killinger Marine has been included in our consolidated financial statements since the date of acquisition.

During October 2003, we acquired substantially all of the assets and assumed certain liabilities of Emarine International, Inc. and Steven Myers, Inc. (Emarine), a privately held boat dealership located in Fort Lauderdale, Florida, for approximately \$305,000 in cash. The acquisition resulted in the recognition of approximately \$300,000 in tax deductible goodwill, including acquisition costs. The acquisition provides us with an established retail location to sell the newly offered Ferretti Group products in the southeast Florida boating community. The assets purchase agreement contained an earn out provision based on the future profits of the location, assuming certain conditions and provisions were met. In August 2004, the earn out provisions were modified withdrawing the requirements for any future earn out payments. Emarine has been included in our consolidated financial statements since the date of acquisition.

During June 2004, we acquired substantially all of the assets, including real estate, and assumed certain liabilities of Imperial Marine (Imperial), a privately held boat dealership with locations in Baltimore and the northern Chesapeake area of Maryland, for approximately \$9.3 million in cash, including acquisition costs. Imperial operates a highway location and a marina on the Gunpowder River. The acquisition expands our ability to serve consumers in the Mid-Atlantic United States boating community. Additionally, the acquisition allows us to capitalize on Imperial's market position and leverage our inventory management and inventory financing resources over the acquired locations. The acquisition resulted in the recognition of approximately \$1.1 million in tax deductible goodwill, including acquisition costs, and approximately \$580,000 in tax deductible indefinite-lived intangible





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assets (dealer agreements). Imperial has been included in our consolidated financial statements since the date of acquisition.

During June 2004, we purchased inventory, certain equipment and assumed certain liabilities from the previous Jacksonville, Florida based Sea Ray dealer (Jacksonville) for the sport boat and sport cruiser product lines for approximately \$900,000 in cash, including acquisition costs. The purchase enhanced our ability to serve customers in the northeast Florida boating community by adding the sport boat and sport cruiser product lines to our existing Sea Ray product offerings. The acquisition resulted in the recognition of approximately \$240,000 in tax deductible goodwill, including acquisition costs, and approximately \$450,000 in tax deductible indefinite-lived intangible assets (dealer agreements). Jacksonville has been included in our consolidated financial statements since the date of acquisition.

Pro forma results of operations have not been presented with respect to any of the fiscal 2003 or 2004 acquisitions, as the effects of those acquisitions were not significant on either an individual or an aggregate basis in the related acquisition year.

**3. RESTATEMENT AND SIGNIFICANT ACCOUNTING POLICIES:****Restatement**

Subsequent to the issuance of our September 30, 2005 consolidated financial statements, our management determined that certain information in the consolidated statements of cash flows should be restated for all periods presented in response to recently published comments of the Staff of the Securities and Exchange Commission (the SEC), recent restatements made by public automotive dealers, recent discussions with the SEC Staff, our review of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2 and recent discussions with Ernst & Young, LLP, our independent registered public accounting firm to conform with Statement of Financial Accounting Standards No. 95, Statement of Cash Flows (SFAS 95). Cash flows related to our short-term borrowings and repayments have been reclassified from operating activities to financing activities on the consolidated statements of cash flows as the related borrowings and repayments are from lenders not affiliated with boat manufacturers. Customary with industry interpretation, we previously reported all cash flows in connection with the changes in short-term borrowings as an operating activity. This change in presentation has no impact on previously reported net income, earnings per share, revenue, cash, total assets, or stockholders' equity. The change in presentation will also not affect our compliance with any financial covenant or debt instrument with respect to any of our indebtedness. A summary of the significant effects of the restatement are as follows (amounts in thousands):

	<b>For the Year Ended September 30, 2003</b>	<b>For the Year Ended September 30, 2004</b>	<b>For the Year Ended September 30, 2005</b>
Net cash provided by / (used in) operating activities as previously reported	\$ 27,198	\$ 20,988	\$ (19,228)
Restatement of net short-term repayments / (borrowings) related to new and used inventories	1,186	(50,939)	5,429
Restated net cash provided by / (used in) operating activities	\$ 28,384	\$ (29,951)	\$ (13,799)
Net cash (used in) / provided by financing activities as previously reported	\$ (1,567)	\$ 3,751	\$ 49,297
Restatement of net short-term (repayments) / borrowings related to new and used inventories	(1,186)	50,939	(5,429)

Reported net cash (used in) / provided by financing activities	\$	(2,753)	\$	54,690	\$	43,868
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**Table of Contents****Statements of Cash Flows**

For purposes of the consolidated statements of cash flows, we consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

We made interest payments of approximately \$5.2 million, \$6.5 million, and \$9.0 million for the fiscal years ended September 30, 2003, 2004, and 2005, respectively, including interest on debt to finance our real estate holdings and new boat inventory. We made income tax payments of approximately \$9.1 million, \$16.2 million, and \$15.3 million for the fiscal years ended September 30, 2003, 2004, and 2005, respectively.

**Vendor Consideration Received**

We account for consideration received from our vendors in accordance with Emerging Issues Task Force Issue No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor (EITF 02-16). EITF 02-16 most significantly 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. Additionally, based on the requirements of our co-op assistance programs from our manufacturers, EITF 02-16 permits the netting of the assistance against related advertising expenses. We adopted EITF 02-16 during the quarter ended December 31, 2002 and determined that the standard impacted our accounting for certain consideration received from vendors beginning July 1, 2003 with the renewal of and amendments to our dealer agreements with the manufacturers of our products.

**Inventories**

Inventory costs consist of the amount paid to acquire the inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to relocating inventory prior to sale. New and used boat, motor, and trailer inventories are stated at the lower of cost, determined on a specific-identification basis, or market. Parts and accessories are stated at the lower of cost, determined on the first-in, first-out basis, or market. Based on the agings of the inventories and our consideration of current market trends, we maintain a valuation allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2004 or 2005.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation, and are depreciated over their estimated useful lives using the straight-line method. 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	5

The cost of property and equipment sold or retired and the related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting gain or loss is included in the consolidated statements of operations. Maintenance, repairs, and minor replacements are charged to operations as incurred; major replacements and improvements are capitalized and amortized over their useful lives.

**Goodwill and Other Intangible Assets**

We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141), and Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and identifiable intangible assets acquired in a business combination be recognized as assets and reported separately from goodwill. We have

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determined that our most significant acquired identifiable intangible assets are the dealer agreements, which are indefinite-lived intangible assets. SFAS 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value, we would recognize an impairment loss. We measure any potential impairment based on various business valuation methodologies, including a projected discounted cash flow method. We completed the annual impairment test during the fourth quarter of fiscal 2005, based on financial information as of the third quarter of fiscal 2005, which resulted in no impairment of goodwill or identifiable intangible assets. To date, we have not recognized any impairment of goodwill or identifiable intangible assets in the application of SFAS 142.

There was no goodwill amortization expense for the fiscal years ended September 30, 2003, 2004, and 2005. Accumulated amortization of goodwill was approximately \$2.6 million at September 30, 2004 and 2005.

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

Statement of Financial Accounting Standards No. 144, Accounting for Impairment or Disposal of Long-Lived Assets (SFAS 144), 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 management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with SFAS 144 is permanent and may not be restored. To date, we have not recognized any impairment of long-lived assets in connection with SFAS 144.

### **Customer Deposits**

Customer deposits primarily include amounts received from customers toward the purchase of boats. We recognize these deposits as revenue upon delivery or acceptance 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. As a result, we are responsible for the claims and losses incurred under these programs, limited by per occurrence deductibles and paid claims or losses up to pre-determined maximum exposure limits. Any losses above the pre-determined exposure limits are paid by our third-party insurance carriers. We estimate our future losses using our historical loss experience, our judgment, and industry information.

### **Revenue Recognition**

We recognize revenue from boat, motor, and trailer sales and parts, service, and storage operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize revenue from slip and storage services on a straight-line basis over the term of the slip or storage agreement. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when the related boat sales are recognized. We also recognize marketing fees earned on credit life, accident and 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 minimal period of time. The chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2004 or 2005, is based on our experience with repayments or defaults on the related finance or insurance contracts.

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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. The chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2004 or 2005, is based upon our experience with repayments or defaults on the service contracts.

**Stock-Based Compensation**

We account for stock-based compensation plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). We apply the disclosure provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), which allows companies to continue following the accounting guidance of APB 25, but requires pro forma disclosure of net income and net income per share for the effects on compensation expense had the fair value method of accounting for stock options and stock purchases been adopted. For SFAS 123 purposes, the fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option-pricing model. In March 2003, we adopted the Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transitions and Disclosure (SFAS 148). Under SFAS 148, the pro forma disclosures of stock-based compensation, as if the fair value method had been used, are required in both annual and interim financial statements.

During December 2004, we granted nonvested common stock awards (restricted stock) to key employees pursuant to the 1998 Incentive Stock Plan. The awards are accounted for using the measurement and recognition principles of APB 25, and therefore, unearned compensation is measured at the date of grant and recognized as compensation expense over the vesting period. Shares awarded during December 2004 will vest after four years. At September 30, 2005, approximately \$2.4 million of unearned compensation remains to be recognized in selling, general, and administrative expenses on a straight line basis over the remaining vesting period of the restricted stock awards. For the fiscal year ending September 30, 2005, we recorded approximately \$735,000 of stock-based compensation expense in selling, general, and administrative expenses related to the restricted stock awards and Board of Director fees.

Had compensation expense been determined using the fair value method described in SFAS 123, our net income and net income per share, as reported, would have been the following for the fiscal years ended September 30,

	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands except per share data)</b>		
Net income as reported	\$ 19,681	\$ 26,298	\$ 33,826
Add: Stock-based employee compensation expense, included in net income, net of related tax effects			388
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,215)	(1,524)	(2,159)
Pro forma net income	\$ 18,466	\$ 24,774	\$ 32,055
Basic net income per share:			
As reported	\$ 1.28	\$ 1.69	\$ 2.01
Pro forma	\$ 1.20	\$ 1.59	\$ 1.91
Diluted net income per share:			
As reported	\$ 1.26	\$ 1.58	\$ 1.88

Pro forma	\$ 1.20	\$ 1.52	\$ 1.80
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See Note 12 Stock Option and Purchase Plans for further discussion and assumptions used to calculate the above pro forma information.

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### **Advertising and Promotional Costs**

Advertising and promotional costs are expensed as incurred and are included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. Based on the requirements of our co-op assistance programs from our manufacturers, EITF 02-16 permits the netting of the assistance against the related advertising expenses. Total advertising and promotional expenses approximated \$8.3 million, \$10.0 million and \$14.5 million, net of related co-op assistance of approximately \$1.1 million, \$1.8 million and \$1.6 million for the fiscal years ended September 30, 2003, 2004, and 2005, respectively.

### **Income Taxes**

Deferred tax assets and liabilities are recognized 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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### **New Accounting Pronouncements**

During December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123(R)). SFAS 123(R) replaces FASB Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and amends FASB Statement of Financial Accounting Standards No. 95, Statement of Cash Flows (SFAS 95). Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and eliminates the pro forma disclosures that were allowed as an alternative to financial statement recognition. Statement 123(R) was originally effective the beginning of the first interim or annual period beginning after June 15, 2005. However, on April 14, 2005, the Securities and Exchange Commission (SEC) issued a new rule amending the effective date of SFAS 123(R) to the first fiscal year beginning after June 15, 2005. Accordingly, we will implement the revised standard in the first quarter of fiscal year 2006, under the modified prospective method. Based on this revised effective date, there was not a reduction in net income per diluted share in the fourth quarter of fiscal 2005. We are currently assessing the implications of this revised standard and the effect it will have on our results of operations in the first quarter of fiscal 2006 and thereafter.

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



**Table of Contents****4. 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. These receivables are normally collected 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 taken as a whole as of September 30, 2004 or 2005, is based on our consideration of customer payment practices, past transaction history with customers, and economic conditions. We review the allowance for uncollectible receivables when a future event or other change in circumstances results in a change in the estimate of the ultimate collectibility of a specific account.

The accounts receivable balances consisted of the following at September 30,

	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>	
Trade receivables	\$ 17,012	\$ 14,570
Amounts due from manufacturers	6,930	10,374
Other receivables	1,035	1,291
	<b>\$ 24,977</b>	<b>\$ 26,235</b>

**5. INVENTORIES:**

Inventories consisted of the following at September 30,

	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>	
New boats, motors and trailers	\$ 243,347	\$ 265,954
Used boats, motors and trailers	33,102	43,193
Parts, accessories and other	7,348	8,558
	<b>\$ 283,797</b>	<b>\$ 317,705</b>

**6. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following at September 30,

	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>	
Land	\$ 25,598	\$ 33,223
Buildings and improvements	49,830	58,082
Machinery and equipment	23,697	27,524
Furniture and fixtures	5,888	6,311
Vehicles	4,808	5,513
	<b>109,821</b>	<b>130,653</b>
Less Accumulated depreciation	<b>(25,314)</b>	<b>(30,659)</b>

\$ 84,507    \$ 99,994

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**Table of Contents****7. GOODWILL AND OTHER INTANGIBLE ASSETS:**

The changes in the carrying amounts of net goodwill and identifiable intangible assets for the fiscal years ended September 30, were as follows:

	<b>Goodwill</b>	<b>Identifiable Intangible Assets</b>	<b>Total</b>
	<b>(amounts in thousands)</b>		
Balance, September 30, 2003	\$ 48,639	\$ 4,505	\$ 53,144
Additions during the period	1,683	1,035	2,718
Balance, September 30, 2004	50,322	5,540	55,862
Additions during the period	199	123	322
Balance, September 30, 2005	\$ 50,521	\$ 5,663	\$ 56,184

**8. SHORT-TERM BORROWINGS:**

During February 2005, we entered into an amended and restated credit and security agreement with four financial institutions. The credit facility provides us a line of credit with asset-based borrowing availability of up to \$340 million for working capital inventory financing, with the amount of permissible borrowings determined pursuant to a borrowing base formula. The credit facility also permits approved-vendor floorplan borrowings of up to \$20 million. The credit facility accrues interest at the London Interbank Offered Rate (LIBOR) plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowings to our tangible net worth. The credit facility is secured by our inventory, accounts receivable, equipment, furniture, and fixtures. The credit facility requires us to satisfy certain covenants, including maintaining a leverage ratio tied to our tangible net worth. The credit facility matures in March 2008, with two one-year renewal options remaining. As of September 30, 2005, we were in compliance with all of the credit facility covenants.

Prior to the February 2005 amended and restated credit and security agreement, our line of credit provided us with asset based borrowing availability of up to \$260 million for working capital and inventory financing and permitted \$20 million in approved-vendor floorplan borrowings, all of which were determined pursuant to a borrowing base formula. The facility bore interest at LIBOR plus 175 to 260 basis points, which was determined in accordance with a Performance Pricing grid, as defined in the credit facility. The credit facility required us to satisfy certain covenants, including maintaining a tangible net worth ratio.

Short-term borrowings as of September 30, 2004 and 2005 were \$153.0 million and \$150.0 million, respectively. The additional available borrowings under the credit facility at September 30, 2005 were approximately \$180.0 million. At September 30, 2004 and 2005, the interest rate on the outstanding short-term borrowings was 3.4% and 5.2%, respectively. Generally, our short-term borrowings are collateralized by certain accounts receivable and inventories.

As is common in our industry, we receive interest assistance directly from boat manufacturers, including Brunswick. The interest assistance programs vary by manufacturer and 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 adopted EITF 02-16 during the quarter ended December 31, 2002, which most significantly 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. See Note 3 Restatement and Significant Accounting Policies Vendor Consideration Received for further discussion of the adoption of this standard.

**Table of Contents****9. LONG-TERM DEBT:**

Long-term debt consisted of the following at September 30,

	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>	
Various mortgage notes payable to financial institutions, due in monthly installments ranging from \$397 to \$13,744, bearing interest at rates ranging from 7.11% to 9.79%, maturing February 2006 through June 2008, collateralized by machinery, equipment, and real estate	\$ 1,268	\$ 1,081
Various mortgage notes payable to financial institutions, due in monthly installments ranging from \$25,882 to \$37,500, bearing interest at rates ranging from 5.33% to 5.78%, maturing May 2007 through July 2014, collateralized by certain vehicles and machinery, equipment, and real estate	13,210	11,512
Various mortgage notes payable to financial institutions, due in monthly installments ranging from \$34,552 to \$57,395, bearing interest at rates ranging from 5.22% to 7.75%, maturing September 2010 through July 2015, collateralized by certain vehicles and machinery, equipment, and real estate	11,759	17,492
	26,237	30,085
Less Current maturities	(2,885)	(4,635)
	\$ 23,352	\$ 25,450

The aggregate maturities of long-term debt were as follows at September 30, 2005:

	<b>(amounts in thousands)</b>
2006	\$ 4,635
2007	3,539
2008	3,429
2009	3,523
2010	3,584
Thereafter	11,375
Total	\$ 30,085

**Table of Contents****10. INCOME TAXES:**

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

	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>		
Current provision:			
Federal	\$ 10,074	\$ 14,310	\$ 18,871
State	1,246	1,636	2,178
Total current provision	11,320	15,946	21,049
Deferred provision:			
Federal	\$ 910	\$ 164	\$ 330
State	91	16	33
Total deferred provision	1,001	180	363
Total income tax provision	\$ 12,321	\$ 16,126	\$ 21,412

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

	<b>2003</b>	<b>2004</b>	<b>2005</b>
Federal tax provision	35.0%	35.0%	35.0%
State tax provision, net of federal benefit	3.5%	2.8%	3.6%
Other	0.0%	0.2%	0.2%
Effective tax rate	38.5%	38.0%	38.8%

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 components of deferred taxes at September 30 were as follows:

	<b>2004</b>	<b>2005</b>
	<b>(amounts in thousands)</b>	
Current deferred tax assets:		
Inventories	\$ 1,073	\$ 1,391
Accrued expenses	2,392	3,565
Net current deferred tax assets	\$ 3,465	\$ 4,956
Long-term deferred tax assets (liabilities):		
Depreciation and amortization	\$ (9,052)	\$ (11,121)
Other	134	350
Net long-term deferred tax liabilities	\$ (8,918)	\$ (10,771)

At September 30, 2005, we estimated that it is more likely than not that we will recognize the benefit of our deferred tax assets and, accordingly, no valuation allowance has been recorded.

**11. STOCKHOLDERS EQUITY:**

In November 2000, our Board of Directors approved a share repurchase plan allowing our company to repurchase up to 300,000 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, dependant upon various factors, including price and availability of the shares, and general market conditions. At September 30, 2005, we have purchased an aggregate of 128,413 shares of common stock under the plan for an aggregate purchase price of approximately \$1.3 million. At September 30, 2005, 89,611 and 8,802 of those repurchased shares have been reissued in conjunction with our Employee Stock Purchase Plan and our Incentive Stock Plan, respectively.

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**Table of Contents****12. STOCK OPTION AND PURCHASE PLANS:**

On April 5, 1998 and April 30, 1998, respectively, the Board of Directors adopted and the stockholders approved the following stock plans:

*1998 Incentive Stock Plan (the Incentive Stock Plan)* The Incentive Stock Plan provides for the grant of incentive and non-qualified stock options to acquire our common stock, the grant of common stock, the grant of stock appreciation rights, and the grant of other cash awards to key personnel, directors, consultants, independent contractors, and others providing valuable services to us. The maximum number of shares of common stock that may be issued pursuant to the Incentive Stock Plan is the lesser of 4,000,000 shares or the sum of (1) 20% of the then-outstanding shares of our common stock plus (2) the number of shares exercised with respect to any awards granted under the Incentive Stock Plan. The Incentive Stock Plan terminates in April 2008, and options may be granted at any time during the life of the Incentive Stock Plan. The date on which options vest and the exercise prices of options are determined by the Board of Directors or the Plan Administrator. The Incentive Stock Plan also includes an Automatic Grant Program providing for the automatic grant of options (Automatic Options) to our non-employee directors.

The fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for the fiscal years ended September 30,

	2003	2004	2005
Risk-free interest rate	5.1%	5.0%	5.0%
Dividend yield	0.0%	0.0%	0.0%
Expected life	5.4 years	5.4 years	5.4 years
Volatility	40.7%	41.9%	42.1%

Using these assumptions, the fair value of the stock options granted as of September 30, 2003, 2004, and 2005 was approximately \$11.6 million, \$15.2 million, and \$17.5 million, respectively, which would be amortized as compensation expense over the vesting period of the options.

A summary of the status of our stock option plans for the fiscal years ended September 30, was as follows:

	2003		2004		2005	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding beginning of year	2,376,446	\$ 10.55	2,324,669	\$ 10.31	2,446,095	\$ 11.92
Granted	395,800	\$ 9.96	515,609	\$ 18.50	253,219	\$ 26.67
Exercised	(52,705)	\$ 11.85	(271,338)	\$ 11.51	(379,567)	\$ 11.24
Forfeited	(394,872)	\$ 11.24	(122,845)	\$ 9.91	(61,616)	\$ 16.36
Outstanding end of year	2,324,669	\$ 10.31	2,446,095	\$ 11.92	2,258,131	\$ 13.57

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The following table summarizes information about outstanding and exercisable stock options at September 30, 2005:

Range of Exercise Prices	Options	Options Outstanding			Options Exercisable	
		Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	
\$ 7.00 12.00	1,078,908	5.4	\$ 8.79	371,718	\$ 9.03	
\$12.01 17.00	487,223	3.5	\$ 12.65	403,186	\$ 12.56	
\$17.01 22.00	408,000	8.1	\$ 17.90	9,000	\$ 19.43	
\$22.01 27.00	215,000	9.1	\$ 26.15	17,000	\$ 24.55	
\$27.01 32.00	69,000	9.2	\$ 29.89	10,167	\$ 28.83	
	2,258,131	6.0	\$ 13.57	811,071	\$ 11.47	

Generally, the options granted have a term of 10 years from the grant date and vest 20% per annum beginning at the end of year three.

During the fiscal year ended September 30, 2004, all warrants issued in conjunction with the fiscal 1999 Boating World acquisition were exercised. The warrants enabled the holder to purchase 40,000 shares of our common stock at \$15.00 per share.

*Employee Stock Purchase Plan (the Stock Purchase Plan)* The Stock Purchase Plan provides for up to 750,000 shares of common stock to be issued, and is available to all our regular employees who have completed at least one year of continuous service. The Stock Purchase Plan provides for implementation of up to 10 annual offerings beginning on the first day of October in the years 1998 through 2007, 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.

**13. NET INCOME PER SHARE:**

The following is a reconciliation of the shares used in the denominator for calculating basic and diluted earnings per share for the fiscal years ended September 30,

	2003	2004	2005
Weighted average common shares outstanding used in calculating basic net income per share	15,337,873	15,585,314	16,815,445
Effect of dilutive options	333,597	1,080,793	1,217,088
Weighted average common and common equivalent shares used in calculating diluted net income per share	15,671,470	16,666,107	18,032,533

Options to purchase 860,905, 17,460, and 53,000 shares of common stock were outstanding at September 30, 2003, 2004, and 2005, respectively, but were not included in the computation of diluted earnings 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.





**Table of Contents****14. 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. Rental payments, including month-to-month rentals, were approximately \$7.2 million, \$8.9 million, and \$9.4 million for the fiscal years ended September 30, 2003, 2004, and 2005, respectively. Rental payments to related parties under both cancelable and non-cancelable operating leases approximated \$367,000, \$385,000, and \$385,000 for the fiscal years ended September 30, 2003, 2004, and 2005, respectively.

The rental payments to related parties, under both cancelable and non-cancelable operating leases during fiscal 2003, 2004, and 2005, represent rental payments for buildings to an entity partially owned by an officer of our company. We believe the terms of the transaction are consistent with those that we would obtain from third parties.

Future minimum lease payments under non-cancelable operating leases at September 30, 2005, were as follows:

<b>(amounts in thousands)</b>	
2006	\$ 6,758
2007	6,729
2008	5,167
2009	2,036
2010	1,008
Thereafter	927
<b>Total</b>	<b>\$ 22,625</b>

**Other Commitments and Contingencies**

We are party to various legal actions arising in the ordinary course of business. With the exception of a single lawsuit award that we are currently appealing, the ultimate liability, if any, associated with these matters was not determinable at September 30, 2005. However, based on information available at September 30, 2005 surrounding the single lawsuit award that we are currently appealing, we increased our accrued litigation expense by approximately \$1.7 million. While it is not feasible to determine the outcome of these actions at this time, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

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.

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

Effective January 1, 2001, we amended our 401(k) Profit Sharing Plan (the Plan). Employees are eligible to participate in 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 50% 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, amounts ranging from approximately \$700,000 to approximately \$1.3 million for the fiscal years ended September 30, 2003, 2004, and 2005.

**16. PREFERRED SHARE PURCHASE RIGHTS:**

During September 2001, we adopted a Stockholders' Rights Plan (the Rights Plan) that may have the effect of deterring, delaying, or preventing a change in control that might otherwise be in the best interests of our stockholders. Under the Rights Plan, a dividend of one Preferred Share Purchase Right was issued for each share of common stock held by the stockholders of record as of the close of business on September 7, 2001. Each right

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entitles stockholders to purchase, at an exercise price of \$50 per share, one-thousandth of a share of a newly created Series A Junior Participating Preferred Stock.

In general, subject to certain limited exceptions, the stock purchase rights become exercisable when a person or group acquires 15% or more of our common stock or a tender offer or exchange offer for 15% or more of our common stock is announced or commenced. After any such event, other stockholders may purchase additional shares of our common stock at 50% of the then-current market price. The rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our Board of Directors. The rights should not interfere with any merger or other business combination approved by the Board of Directors. The rights may be redeemed by us at \$0.01 per stock purchase right at any time before any person or group acquires 15% or more of the outstanding common stock. The rights expire on August 28, 2011.

The Rights Plan adoption and Rights Distribution is a non-taxable event with no impact on our financial results.

**17. SUBSEQUENT EVENTS:**

During November 2005, our Board of Directors approved a share repurchase plan allowing our company to repurchase up to 1.0 million 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, dependant upon various factors, including price and availability of the shares, and general market conditions.

During December 2005, we, through our principal operating subsidiaries, and Brunswick, through its Sea Ray division, entered into a Sales and Service Agreements relating to Sea Ray products extending through June 2015. Each of these dealer agreements appoints one of our operating subsidiaries as a dealer for the retail sale, display, and servicing of all 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.

During December 2005, we and the Sea Ray Division of Brunswick have entered into a revised agreement replacing our previous agreement to provide a process for our continued growth through the acquisition of additional Sea Ray boat dealers that desire to be acquired by us. The agreement extends through June 2015. 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 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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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit</b>
3.1	Restated Certificate of Incorporation of the Registrant, including all amendments to date (7)
3.2	Amended and Restated Bylaws of the Registrant (7)
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock (7)
4.1	Specimen of Common Stock Certificate (7)
4.2	Rights Agreement, dated August 28, 2001 between Registrant and American Stock Transfer & Trust Company, as Rights Agent (3)
10.1(a)	Merger Agreement between Registrant and its acquisition subsidiary and Bassett Boat Company of Florida and Richard Bassett (1)
10.1(b)	Merger Agreement between Registrant and its acquisition subsidiary and 11502 Dumas, Inc. d/b/a Louis DelHomme Marine and its stockholders (1)
10.1(c)	Merger Agreement between Registrant and its acquisition subsidiary and Gulfwind USA, Inc. and its stockholders (1)
10.1(d)	Merger Agreement between Registrant and its acquisition subsidiary and Gulfwind South, Inc. and its stockholders (1)
10.1(e)	Merger Agreement between Registrant and its acquisition subsidiary and Harrison s Boat Center, Inc. and its stockholders (1)
10.1(f)	Merger Agreement between Registrant and its acquisition subsidiary and Harrison s Marine Centers of Arizona, Inc. and its stockholders (1)
10.1(g)	Merger Agreement between Registrant and its acquisition subsidiary and Stovall Marine, Inc. and its stockholders (1)
10.1(h)	Agreement of Merger and Plan of Reorganization dated as of the 7th day of July, 1998 by and among MarineMax, Inc., C & N Acquisition Corp. (a subsidiary of MarineMax, Inc.), C & N Marine Corporation and the Stockholders named therein (2)
10.1(i)	Agreement of Merger and Plan of Reorganization dated as of the 7th day of July, 1998 by and among MarineMax, Inc., Cochrans Acquisition Corp. (a subsidiary of MarineMax, Inc.), Cochrans Marine, Inc. and the Stockholders named therein (2)
10.1(j)	Asset Purchase Agreement between Registrant and Treasure Cove Marina, Inc. (3)
10.2(a)	Contribution Agreement between Registrant and Bassett Boat Company and its owner (1)
10.2(b)	Contribution Agreement between Registrant and Bassett Realty, L.L.C. and its owner (1)
10.2(c)	Contribution Agreement between Registrant and Gulfwind South Realty, L.L.C. and its owners (1)
10.2(d)	Contribution Agreement between Registrant and Harrison s Realty, L.L.C. and its owners (1)
10.2(e)	Contribution Agreement between Registrant and Harrison s Realty California, L.L.C. and its owners (1)
10.3(e)	Employment Agreement between Registrant and William H. McGill Jr. (9)
10.3(f)	Employment Agreement between Registrant and Michael H. McLamb (9)
10.3(g)	Employment Agreement dated August 18, 2004 between Registrant and Michael H. McLamb (11)
10.4	1998 Incentive Stock Plan, as amended through November 15, 2000 (8)
10.5	1998 Employee Stock Purchase Plan (1)
10.6	Settlement Agreement between Brunswick Corporation and Registrant (1)
10.7	Letter of Intent between Registrant and Stovall (1)
10.8	Restated Agreement Relating to the Purchase of MarineMax Common Stock between Registrant and Brunswick Corporation, dated as of April 28, 1998 (1)
10.9	Stockholders Agreement among Registrant, Brunswick Corporation, and Senior Founders of Registrant, dated April 28, 1998 (1)
10.10	Governance Agreement between Registrant and Brunswick Corporation, dated April 28, 1998 (1)
10.11	

Dealer Agreement dated December 7, 2005 between the Sea Ray Division of Brunswick Corporation and MarineMax, Inc. (12)

10.12 Agreement Relating to Acquisitions dated December 7, 2005 between the Sea Ray Division of Brunswick Corporation and the Principal Operating Subsidiaries of MarineMax, Inc. (12)

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<b>Exhibit Number</b>	<b>Exhibit</b>
10.17	Credit and Security Agreement dated as of December 18, 2001 among the Registrant and its subsidiaries, as Borrowers, and Banc of America Specialty Finance, Inc. and various other lenders, as Lenders (8)
10.17(a)	Amendment No. 2 to Credit and Security Agreement dated January 30, 2004 among the Registrant and its subsidiaries as Borrowers, Keybank National Association, N.A., Bank of America, N.A., and various other lenders, as Lenders (10)
10.18	Hatteras Sales and Service Agreement, dated July 1, 2003 among the Registrant, MarineMax Motor Yachts, LLC, and Hatteras Yachts Division of Brunswick Corporation (10)
10.19	Dealer Agreement, effective September 30, 2003 among the Registrant, Ferretti Group USA, Inc., and Bertram Yacht, Inc. (13)
10.20	Amended and Restated Credit and Security Agreement executed on February 15, 2005 effective as of February 3, 2005 among the Registrant and its subsidiaries, as Borrowers, Keybank National Association and Bank of America, N.A., and various other lenders as Lenders (14)
10.20(a)	Amendment No. 1 to Amended and Restated Credit and Security Agreement dated April 8, 2005 among the Registrant and its subsidiaries, as Borrowers, Keybank National Association and Bank of America, N.A., and various other lenders as Lenders (15)
21	List of Subsidiaries (16)
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.
(1)	Incorporated by reference to Registration Statement on Form S-1 (Registration 333-47873).
(2)	Incorporated by reference to Registrant's Current Report on Form 8-K dated July 7, 1998, as filed on July 20, 1998.
(3)	Incorporated by reference to Registrant's

Form 8-K  
Report dated  
September 30,  
1998, as filed on  
October 20,  
1998.

(4) Incorporated by  
reference to  
Registrant's  
Form 10-K for  
the year ended  
September 30,  
1998, as filed on  
December 9,  
1998.

(5) Incorporated by  
reference to  
Registrant's  
Form 10-K for  
the year ended  
September 30,  
1999, as filed on  
December 29  
1999.

(6) Incorporated by  
reference to  
Registration  
Statement on  
Form 8-A as  
filed on  
September 5,  
2001.

(7) Incorporated by  
reference to  
Registrant's  
Form 10-K for  
the year ended  
September 30,  
2001, as filed on  
December 20,  
2001.

(8) Incorporated by  
reference to  
Registrant's  
Form 10-Q for  
the quarterly



period ended  
December 31,  
2001, as filed on  
February 14,  
2002.

- (9) Incorporated by  
reference to  
Registrant's  
Form 10-Q for  
the quarterly  
period ended  
December 31,  
2002, as filed on  
February 14,  
2003.
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(10) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2003, as filed on February 17, 2004.

(11) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2004, as filed on December 13, 2004.

(12) Incorporated by reference to Registrant's Form 8-K Report as filed on December 9, 2005.

(13) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2004, as filed on February 9, 2005.

(14) Incorporated by reference to Registrant's Form 8-K Report dated February 15, 2005, as filed on February 18, 2005.

(15) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended March 31, 2005, as filed on May 5, 2005.

(16) Previously filed.