MARINEMAX INC
Form 424B5
February 17, 2005

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Filed pursuant to Rule: 424(b)(5)
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Prospectus supplement
(To prospectus dated January 25, 2005)

2,861,200 shares

Common stock

We are selling 1,000,000 shares of common stock, and the selling stockholder is selling 1,861,200 shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholder.

Our common stock is listed on the New York Stock Exchange under the symbol HZO. On February 16, 2005, the last reported sale price for our common stock as reported by the New York Stock Exchange was $32.96 per share.

	Per share	Total
Public offering price	$ 32.75	$93,704,300
Underwriting discounts and commissions	$ 1.6375	$ 4,685,215
Proceeds to MarineMax, Inc., before expenses	$31.1125	$31,112,500
Proceeds to the selling stockholder, before expenses	$31.1125	$57,906,585

We have granted the underwriters an option for a period of 30 days to purchase up to 429,000 additional shares of our common stock on the same terms and conditions set forth above to cover overallotments, if any.

The underwriters expect to deliver the shares of common stock to investors on or about February 23, 2005.

Investing in our common stock involves risks. See Risk factors beginning on page S-10.

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

Joint Book-Running Managers

JPMorgan

RAYMOND JAMES

February 16, 2005

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You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein. We have not, and the selling stockholder has not, authorized anyone to provide information different from that contained in this prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein. We and the selling stockholder are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock.

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About this prospectus supplement

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the SEC that utilizes a shelf registration process. Under the shelf registration process, we and the selling stockholder may sell up to 1,500,000 and 1,861,200 shares, respectively, of our common stock, of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of this offering and certain other information. Both this prospectus supplement and the accompanying prospectus include important information about us and the selling stockholder, the common stock being offered, and other information you should know before investing in our common stock.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the selling stockholder have not authorized anyone to provide you with information different from that contained in this prospectus supplement or the accompanying prospectus. We and the selling stockholder are offering to sell, and are seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus supplement in that jurisdiction. Persons that come into possession of this prospectus supplement in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus supplement applicable to those jurisdictions.

You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under the heading Where you can obtain additional information on page S-74 of this prospectus supplement before investing in our common stock. This prospectus supplement adds to, updates, and changes information contained in the accompanying prospectus and the information incorporated by reference. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus or the information incorporated by reference, the statements made in the accompanying prospectus or the information incorporated by reference are deemed modified or superseded by the statements made in this prospectus supplement.

Forward-looking statements

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein contain forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts but rather are based on current expectations, estimates, and projections about our industry, our beliefs, and our assumptions. We use words such as anticipate, expect, intend, plan, believe, seek, estimate, and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in Risk factors and elsewhere in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this prospectus supplement.

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Prospectus summary

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein, carefully, especially the risks of investing in our common stock discussed under Risk factors on pages S-10 through S-23, and the consolidated financial statements and notes to those consolidated financial statements incorporated by reference herein, before making an investment decision.

Our company

We are the largest recreational boat dealer in the United States. Through 68 retail locations in Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Maryland, Minnesota, Nevada, New Jersey, North Carolina, Ohio, South Carolina, 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), ski boats, 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, Hatteras, Meridian, and Boston Whaler 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 2004. Brunswick is the world s largest manufacturer of pleasure boats and marine engines. We believe our sales represented in excess of 10% of all Brunswick marine sales, including approximately 34% of its new Sea Ray boat sales, during our 2004 fiscal year. Through operating subsidiaries, we are a party to dealer agreements with Brunswick covering Sea Ray products and we operate as the exclusive dealer of Sea Ray boats in our geographic markets.

We are the exclusive dealer for Italy-based Ferretti Group for Ferretti Yachts, Pershing, Riva, Apreamare, Mochi Craft, Custom Line, and CRN mega-yachts, yachts, and other recreational boats for the United States, Canada, and the Bahamas. 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 a 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 boat in fiscal 2004 was approximately $89,000 compared with the industry average selling price of approximately $30,000 based on industry data published by the National Marine Manufacturers Association. Our stores that were open during all of fiscal 2004 averaged approximately $12.8 million in annual sales in that period. 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, 2004, we had revenue of approximately $762.0 million, operating income of approximately $48.9 million, and net income of approximately $26.3 million.

Our same-store sales increased approximately 21% in fiscal 2004 and have averaged approximately 8% 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 $30.0 billion in retail sales in calendar 2003, 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 $23.5 billion of these sales in 2003 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 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;

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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 our 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. 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 a 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.

Acquired companies	Acquisition date	Geographic region
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

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

Apart from acquisitions, we have opened 14 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 nine 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:

Product line	Fiscal year	Geographic regions
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
MB Sports	2001	Northern California, Arizona, Nevada, Utah, and Texas
Meridian Yachts	2002	Florida, Georgia, North and South Carolina, New Jersey, Ohio, Minnesota, Texas, and Delaware
Tracker Marine	2002	Minnesota, Georgia, and Ohio
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, Apreamare, Mochi Craft, Custom Line, and CRN	2004	United States, Canada, and the Bahamas
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	Dallas, Texas

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, parks, 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 the 18 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).

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The offering

Common stock offered by MarineMax, Inc.: 1,000,000 shares

Common stock offered by the selling stockholder: 1,861,200 shares
Common stock to be outstanding after this offering: 16,949,329 shares

Use of proceeds

We estimate that the net proceeds to us from the offering after our expenses will be approximately $30.9 million, assuming no exercise by the underwriters of their overallotment option. We intend to use the net proceeds of this offering for general corporate purposes. Pending utilization of the net proceeds, we intend to use the net proceeds to repay short-term indebtedness under our credit facility. We will not receive any proceeds from the sale of shares by the selling stockholder. See Use of proceeds.

Risk factors

See Risk factors on page S-10 for a discussion of factors you should carefully consider before deciding whether to purchase our common stock.

New York Stock Exchange symbol: HZO

The number of shares of our common stock to be outstanding after this offering reflected above is based on the number of shares outstanding as of December 31, 2004, and does not include the following:

- 2,509,385 shares of our common stock issuable upon exercise of stock options granted under our 1998 incentive stock plan;
- an additional 680,481 shares of our common stock available for future issuance under our 1998 incentive stock plan;
- 388,921 shares of our common stock reserved for issuance under our 1998 employee stock purchase plan; and
- up to 429,000 additional shares of common stock that we have agreed to sell if the underwriters exercise in full their overallotment option.

Unless otherwise stated, all information contained in this prospectus supplement assumes no exercise of the underwriters overallotment option.

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Summary consolidated financial data

The following table contains certain financial and operating data and is qualified by the more detailed consolidated financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus. The balance sheet data as of September 30, 2002, 2003, and 2004 and the statement of operations data for the fiscal years ended September 30, 2002, 2003, and 2004 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, 2000 and 2001 and the statements of operations data for the fiscal years ended September 30, 2000 and 2001 were derived from the consolidated financial statements and notes thereto that were audited by Arthur Andersen LLP, independent certified public accountants. The financial data for the three months ended December 31, 2003 and 2004 are derived from financial statements that are unaudited. The financial data shown below should be read in conjunction with the consolidated financial statements and the related notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus and Management s discussion and analysis of financial condition and results of operations.

(Amounts in thousands, except share and per share data)	Fiscal Year Ended September 30,					Three Months Ended December 31,	
	2000	2001	2002	2003	2004	2003	2004
Statement of operations data:							
Revenue	$ 550,654	$ 504,071	$ 540,716	$ 607,501	$ 762,009	$ 156,659	$ 184,188
Cost of sales	419,080	383,984	416,137	459,729	573,616	121,559	140,064
Gross profit	131,574	120,087	124,579	147,772	188,393	35,100	44,124
Selling, general, and administrative expenses	92,520	92,734	95,567	113,299	139,470	30,015	37,140
Income from operations	39,054	27,353	29,012	34,473	48,923	5,085	6,984
Interest expense	4,127	2,396	1,264	2,471	6,499	1,459	2,384
Income before tax provision	34,927	24,957	27,748	32,002	42,424	3,626	4,600
Tax provision	13,534	9,608	10,683	12,321	16,126	1,396	1,771
Net income	$ 21,393	$ 15,349	$ 17,065	$ 19,681	$ 26,298	$ 2,230	$ 2,829
Net income per share:							
Diluted	$ 1.41	$ 1.01	$ 1.10	$ 1.26	$ 1.58	$ 0.14	$ 0.17
Weighted average number of shares:							
Diluted	15,204,182	15,238,719	15,540,973	15,671,470	16,666,107	16,280,368	16,959,020

(Amounts in thousands, except share and per share data)	Fiscal Year Ended September 30,					Three Months Ended December 31,	
	2000	2001	2002	2003	2004	2003	2004
Other data:							
Number of retail locations(1)	52	53	59	65	67	66	67
Sales per store(2)(3)	$14,056	$12,382	$12,273	$11,900	$12,831	$2,828	$3,093
Same-store sales growth(3)(4)	20%	(9)%	3%	6%	21%	56%	17%

	September 30,					December 31,	
	2000	2001	2002	2003	2004	2003	2004
Balance sheet data:							
Working capital	$ 40,853	$ 47,447	$ 55,426	$ 67,003	$ 88,013	$ 66,719	$ 90,632
Total assets	231,330	264,490	301,146	329,155	474,359	432,005	511,952
Long-term debt (including current portion)(5)	6,280	8,640	21,765	22,343	26,237	21,766	25,468
Total stockholders equity	112,340	127,693	145,190	166,056	196,821	168,657	202,066

(1) Includes only those retail locations open at period end.

(2) Includes only those stores open for the entire preceding comparable period.

(3) A store is one or more retail locations that are adjacent or operate as one entity.

(4) New and acquired stores are included in the comparable base at the end of the store s thirteenth month of operations.

(5) Amount excludes our short-term borrowings for working capital and inventory financing.

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Risk factors

You should carefully consider the risks described below, together with all of the other information in this prospectus supplement, including the accompanying prospectus and the documents incorporated by reference herein, before deciding to invest in our common stock. Any of the following risks could materially adversely affect our business, financial condition, or results of operations. In such case, you may lose all or part of your investment.

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 and Hatteras boat lines and the Ferretti Group s Ferretti Yachts, Riva, Pershing, and Bertram product lines.

Approximately 60% of our revenue in fiscal 2004 resulted from sales of new boats manufactured by Brunswick, including approximately 45% from Brunswick s Sea Ray division and approximately 9% from Brunswick s Hatteras Yacht division. The remainder of our fiscal 2004 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, Hatteras, and Meridian, 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.

The agreements do not give us the exclusive right to sell Sea Ray product lines within any particular territory or restrict us from selling competing products.

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

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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, the 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.

Our operations depend upon a number of factors relating to or affecting consumer spending for luxury goods, such as recreational boats.

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.

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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 a 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 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

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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 Brunswick have entered into an agreement providing for Brunswick to cooperate in good faith and not to unreasonably withhold its consent to the acquisitions each year by us of Sea Ray boat dealers with aggregate total revenue not exceeding 20% of our revenue in our prior fiscal year. Any acquisitions in excess of the 20% benchmark will be at Brunswick s discretion. In the event that our purchases of Sea Ray boats exceed 49% of the purchases of Sea Ray boats by all Sea Ray boat dealers, including us, in any fiscal year of Brunswick, the agreement provides that we and Brunswick will negotiate in good faith the standards for acquisitions of Sea Ray boat dealers by us during Brunswick s next succeeding fiscal year, but that Brunswick may grant or withhold its consent to any such acquisition in its sole discretion for as long as our Sea Ray boat purchases exceed the 49% benchmark.

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 and Ferretti, 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.

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.

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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.

On February 15, 2005, we entered into an amended and restated credit and security agreement, dated as of February 3, 2005, 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 and 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 a rate of LIBOR plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowing 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 January 2008, with two one-year renewal options.

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, 2004, the average revenue for the quarterly periods ended December 31, March 31, June 30, and September 30 represented 19%, 26%, 30%, 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 fiscal 2004 when Florida and other markets were affected by four separate 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.

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 2004, F&I products accounted for approximately 3.4% 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 employment agreements 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.

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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, state, 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 underground storage tanks, or USTs, or aboveground storage tanks, or ASTs, for the storage of various petroleum products or other hazardous substances or wastes. USTs and ASTs are generally subject to federal, state, and local laws and regulations that require testing, upgrading and remediation of contaminated soils and groundwater resulting from leaking USTs and ASTs. 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 and ASTs migrates onto the property of others.

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

- current or prior 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

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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 ASTs and USTs containing hazardous substances or wastes. As to certain of our properties, specific releases of petroleum have been or may in the future be required to be remediated. Soil and groundwater at some of these properties are currently being monitored.

Two of the properties we own were historically used as gasoline service stations. Remedial action with respect to prior historical site activities on one of these properties has been completed and the Florida Department of Environmental Protection is currently monitoring the other property.

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, including those in connection with these matters, may require additional expenditures by us, and such expenditures may be material.

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.

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.

Intangible assets and goodwill 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 of dealerships that we have acquired, 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 business combinations to be accounted for using the purchase method of accounting and identifiable intangible assets acquired in a business combination to 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. SFAS 142 was effective for fiscal years beginning after December 15, 2001, with early application permitted in certain circumstances. We elected to early-adopt SFAS 142 as of the beginning of fiscal 2002.

SFAS 142 required the completion of a transitional impairment test within six months from the date of initial adoption. We completed the transitional impairment test, which resulted in no impairment of goodwill or identifiable intangible assets as of the date of adoption. SFAS 142 also requires that we assess the impairment of identifiable intangible assets and goodwill at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of an identifiable intangible asset or goodwill 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 2004, based on financial information as of the third quarter of fiscal 2004, 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. Identifiable intangible assets and net goodwill amount to $5.5 million and $50.3 million, respectively, as of September 30, 2004.

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

A substantial number of shares of our common stock are subject to a stockholders agreement.

We, Brunswick, William H. McGill Jr., our Chairman of the Board, President, and Chief Executive Officer, and certain retired officers and directors are parties to a stockholders agreement, and we and Brunswick are parties to a governance agreement, each dated April 28, 1998. Subject to certain limitations, the stockholders agreement provides various rights of first refusal on the sale of shares of common stock by the parties to the agreement, particularly in the event that Brunswick does not own its targeted investment percentage of 19% of our common stock at the time of the proposed sale or in the event the proposed sale is to a competitor of Brunswick. Among other provisions and subject to certain conditions, the stockholders agreement also requires the parties to vote their common stock for nominees for our board of directors in the election of directors as determined by our board and to vote their common stock in favor of all proposals and recommendations approved by our board of directors and submitted to a vote of our stockholders. The governance agreement provides for various terms and conditions concerning Brunswick s participation in the corporate governance of our company.

As a result, the stockholders agreement and the governance agreement will have the effect of increasing the control of our directors, executive officers, and persons associated with them and may have the effect of delaying or preventing a change in control of our company. The stockholders agreement and the governance agreement will terminate at such time as Brunswick does not own any of our shares, provided that, with respect to the stockholders agreement, we are able to obtain the written agreement of the other parties to the agreement to such termination.

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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;
- 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 December 31, 2004, there were outstanding 15,949,329 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, may be 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 December 31, 2004, we had issued options to purchase approximately 2,509,385 shares of common stock under our 1998 incentive stock plan and we issued 361,079 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.

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, as amended, and amended and restated 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 restated certificate of incorporation, as amended, and amended and restated 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 and bylaws also allow 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 products 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 do not currently intend to engage in foreign currency exchange hedging transactions to manage our foreign currency exposure. If and when we do engage in foreign currency exchange hedging transactions, we cannot assure that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

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Cautionary statement regarding

forward-looking statements

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein contain forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our industry, our beliefs and assumptions. We use words such as anticipate, expect, intend, plan, believe, seek, estimate and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in Risk factors and elsewhere in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference in this prospectus supplement. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this prospectus supplement.

Use of proceeds

We estimate the net proceeds to us from this offering will be approximately $30.9 million, after payment of estimated underwriting discounts and commissions and our estimated expenses of this offering. If the underwriters overallotment option is exercised in full, we anticipate that the net proceeds to us will be approximately $44.2 million in the aggregate. We intend to use the net proceeds of this offering for general corporate purposes. Pending utilization of the net proceeds, we intend to use the net proceeds to repay short-term indebtedness under our credit facility. Our credit facility provides us a line of credit with asset-based borrowing availability of up to $340 million for working capital and 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 a rate of LIBOR plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowing 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 January 2008, with two one-year renewal options. We will have broad discretion as to the allocation and use of the net proceeds that we will receive.

We will not receive any proceeds from the sale of shares by the selling stockholder.

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Price range of common stock

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

	High	Low
2002		
First quarter	$12.65	$ 7.65
Second quarter	$15.40	$10.85
Third quarter	$14.19	$ 9.00
Fourth quarter	$12.95	$ 7.15
2003		
First quarter	$13.08	$ 8.67
Second quarter	$14.50	$ 9.02
Third quarter	$15.43	$12.62
Fourth quarter	$19.90	$14.39
2004		
First quarter	$28.33	$18.10
Second quarter	$32.04	$23.56
Third quarter	$28.59	$18.05
Fourth quarter	$30.55	$21.50
2005		
First quarter (through February 16, 2005)	$33.28	$27.51

On February 16, 2005, the closing sale price of our common stock was $32.96 per share. On February 16, 2005, there were approximately 100 record holders and approximately 2,900 beneficial owners of our common stock.

Dividend policy

Our policy is to retain earnings to provide funds for the operation and expansion of our business. We have not paid cash dividends on our common stock and do not anticipate that we will do so in the foreseeable future. Furthermore, our credit facility limits the payment of dividends without the consent of the lenders. The payment of dividends in the future will depend on our growth, profitability, financial condition, and other factors that our board of directors may deem relevant.

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Capitalization

The following table sets forth our cash and cash equivalents, short- and long-term debt, stockholders equity, and total capitalization as of December 31, 2004

on an actual basis; and

as adjusted to reflect the issuance and sale of 1,000,000 shares of common stock by us in this offering at a public offering price of $32.75 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table in conjunction with our financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus and Management s discussion and analysis of financial condition and results of operations.

December 31, 2004 (In thousands, except share and per share data)	Actual	As adjusted
Cash and cash equivalents	$ 9,501	$ 9,501
Short-term borrowings	234,000	203,134
Long-term debt, net of current maturities	22,341	22,341
Stockholders equity:		
Preferred stock, $.001 par value; 1,000,000 shares authorized; none issued and outstanding at December 31, 2004		
Common stock, $.001 par value; 24,000,000 shares authorized; 15,949,329 issued and outstanding, actual, 16,949,329 shares issued and outstanding, as adjusted(1)	16	17
Additional paid-in capital	75,712	106,577
Deferred stock compensation	(2,971)	(2,971)
Retained earnings	129,927	129,927
Treasury stock, at cost, 30,000 shares held at December 31, 2004	(618)	(618)
Total stockholders equity	202,066	232,932
Total capitalization	$467,908	$467,908

(1) Excludes the following:

2,509,385 shares issuable upon exercise of options outstanding under our 1998 incentive stock plan, with a weighted average exercise price of $12.98 per share;

680,481 shares available for future issuance under our 1998 incentive stock plan;

388,921 shares issuable under our employee stock purchase plan; and

429,000 shares issuable upon exercise of the underwriters overallotment option.

Principal and selling stockholders

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 15, 2005 before and after the offering for (i) all directors, our Chief Executive Officer, and our four other most highly compensated executive officers during fiscal 2004, (ii) all directors and executive officers as a group, (iii) each person known by us to beneficially own more than 5% of our outstanding shares of common stock, and (iv) the selling stockholder. The table also sets forth the number of shares of common stock that the selling stockholder may offer and sell under this prospectus supplement.

	Shares beneficially owned		Shares being offered	Shares beneficially owned after offering	
Name of beneficial owner(1)	**Number(2)**	**Percent(2)**	**for sale**	**Number(1)**	**Percent(2)**
Directors and executive officers:					
William H. McGill Jr.	1,471,550(3)	9.1%		1,471,550	8.6%
Michael H. McLamb	201,412(4)	1.2%		201,412	1.2%
Michael J. Aiello	27,151(5)	*		27,151	*
Anthony M. Aisquith	32,586(6)	*		32,586	*
Edward A. Russell	80,345(7)	*		80,345	*
Robert D. Basham	29,066(8)	*		29,066	*
Hilliard M. Eure III	1,667(9)	*		1,667	*
John B. Furman	18,819(10)	*		18,819	*
Robert S. Kant	54,772(11)	*		54,772	*
Dean S. Woodman	41,382(12)	*		41,382	*
All directors and executive officers as a group (includes 12 current directors and executive officers)	1,990,839	12.1%		1,990,839	11.4%
5% Stockholders:					
BCMM Holdings, Inc.(13)	1,861,200	11.6%	1,861,200		%
FMR Corp.	1,590,500(14)	9.9%		1,590,500	9.3%
T. Rowe Price Associates, Inc.	1,064,700(15)	6.6%		1,064,700	6.3%
Systematic Financial Management, L.P.	796,500(16)	5.0%		796,500	4.7%

* Less than 1%.

(1) Unless otherwise indicated, all persons listed can be reached at our company offices at 18167 U.S. Highway 19 North, Suite 300, Clearwater, Florida 33764, and have sole voting and investment power over their shares unless otherwise indicated.

(2) The numbers and percentages shown include shares of common stock issuable to the identified person pursuant to stock options that may be exercised within 60 days after February 15, 2005. In calculating the percentage of ownership, such shares are deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by such

person, but are not deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by any other stockholder.

(3) Includes 121,640 shares issuable upon the exercise of stock options and 30,000 shares of restricted stock, but excludes 207,000 shares of common stock issuable upon exercise of unvested stock options.

(4) Includes 166,429 shares of common stock issuable upon the exercise of stock options and 20,000 shares of restricted stock, but excludes 128,000 shares of common stock issuable upon exercise of unvested stock options.

(5) Includes 5,310 shares of common stock issuable upon the exercise of stock options and 12,000 shares of restricted stock, but excludes 47,810 shares of common stock issuable upon exercise of unvested stock options.

(6) Includes (a) 3,065 shares of common stock held by Mr. Aisquith s spouse; (b) 5,054 shares of common stock issuable upon the exercise of stock options held by Mr. Aisquith; (c) 423 shares of common stock issuable upon exercise of options held by Ms. Aisquith; and (d) 12,000 shares of restricted stock. Excludes (x) 40,055 shares of common stock issuable upon exercise of unvested stock options held by Mr. Aisquith; and (y) 3,320 shares of common stock issuable upon exercise of unvested stock options held by Ms. Aisquith.

(7) Includes (a) 9,061 shares held by Mr. Russell s spouse; (b) 1,400 shares held by Mr. Russell s spouse as custodian for their minor daughters; (c) 31,696 shares of common stock issuable upon the exercise of stock options; and (d) 17,000 shares of restricted stock. Excludes 63,873 shares of common stock issuable upon exercise of unvested stock options.

(8) Includes 18,500 shares of common stock issuable upon the exercise of stock options, but excludes 6,000 shares of common stock issuable upon exercise of unvested stock options.

(9) Includes 1,667 shares of common stock issuable upon exercise of stock options, but excludes 3,333 shares of common stock issuable upon exercise of unvested stock options.

(10) Includes 14,500 shares of common stock issuable upon the exercise of stock options, but excludes 7,500 shares of common stock issuable upon exercise of unvested stock options.

(11) Includes 24,000 shares of common stock issuable upon the exercise of stock options, but excludes 3,000 shares of common stock issuable upon exercise of unvested stock options.

(12) Includes 26,500 shares of common stock issuable upon the exercise of stock options, but excludes 9,000 shares of common stock issuable upon exercise of unvested stock options.

(13) BCMM Holdings, Inc. is a wholly owned subsidiary of Brunswick Corporation. BCMM Holdings, Inc. and Brunswick Corporation maintain their principal executive offices at 1 North Field Court, Lake Forest, Illinois 60045.

Through operating subsidiaries, we are a party to various dealer agreements with Brunswick. We are the nation s largest retailer of Sea Ray, Hatteras, Meridian, and Boston Whaler recreational boats and yachts, all of which are manufactured by Brunswick. Sales of new Brunswick boats accounted for approximately 60% of our revenue in fiscal 2004. We believe our sales represented in excess of 10% of all Brunswick marine sales, including 34% of its new Sea Ray boat sales, during our 2004 fiscal year. For a further discussion of the business relationship between Brunswick and us, see Item 1, Business of our Annual Report on Form 10-K for the year ended September 30, 2004.

Brunswick acquired the shares at the time of our initial public offering in 1998. Brunswick informed us that it desired to sell the shares to raise funds for general corporate purposes, including possible acquisitions. Brunswick also informed us that its desire to sell the shares is not an indication of a change in its business relationship with us. We and Brunswick are currently exploring possible ways to expand that business relationship in the future. Although we had the right to purchase the shares from Brunswick, we agreed to file the registration statement of which this prospectus supplement and the accompanying prospectus form a part to facilitate Brunswick s sale of the shares and thereby increase the public float of our common stock.

(14) Represents 1,590,500 shares of common stock beneficially owned by FMR Corp. Fidelity Management Trust Company, a wholly owned subsidiary of FMR Corp., is the beneficial owner of 339,600 of such shares as a result of its serving as investment manager of institutional accounts. Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp. and a registered investment advisor beneficially owns 1,250,900 of such shares as a result of acting as investment advisor to various investment companies. Fidelity Advisors Small Cap Fund, an investment company, owns 1,158,700 of such shares. Edward C. Johnson 3d, FMR Corp., and the Fidelity Funds each have

(a) sole power to dispose of the 1,250,900 owned by the Fidelity Funds; and (b) sole power to vote and dispose of the 339,600 shares owned by the institutional accounts managed by Fidelity Management Trust Company. Neither FMR Corp., nor Edward C. Johnson 3d as Chairman of FMR Corp. has sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the funds board of trustees. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(15) Represents 1,064,700 shares of common stock beneficially owned by T. Rowe Price Associates, Inc. in its capacity as investment advisor on behalf of its clients. T. Rowe Price Associates has sole voting power over 269,100 of such shares and sole dispositive power over all of such shares. The address of T. Rowe Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.

(16) Represents 796,500 shares of common stock beneficially owned by Systematic Financial Management, L.P. in its capacity as investment advisor on behalf of its clients. Systematic has sole voting power over 319,800 of such shares and sole dispositive power over all of such shares. The address of Systematic is 300 Frank W. Burr Boulevard, Glenpoint East, 7th Floor, Teaneck, New Jersey 07666.

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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 or incorporated by reference in this prospectus supplement and the accompanying prospectus. The balance sheet data as of September 30, 2002, 2003, and 2004 and the statement of operations data for the fiscal years ended September 30, 2002, 2003, and 2004 were derived from the consolidated financial statements and notes thereto that have been audited by Ernst & Young LLP, independent registered certified public accounting firm. The balance sheet data as of September 30, 2000 and 2001 and the statements of operations data for the fiscal years ended September 30, 2000 and 2001 were derived from the consolidated financial statements and notes thereto that were audited by Arthur Andersen LLP, independent certified public accountants. The financial data for the three months ended December 31, 2003 and 2004 are derived from financial statements that are unaudited. The financial data shown below should be read in conjunction with the consolidated financial statements and the related notes thereto incorporated by reference in this prospectus and the accompanying prospectus supplement and Management s discussion and analysis of financial condition and results of operations.

(Amounts in thousands except share and per share data)	Fiscal year ended September 30,					Three months ended December 31,	
	2000	2001	2002	2003	2004	2003	2004
Statement of operations data:							
Revenue	$550,654	$504,071	$540,716	$607,501	$		