UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 29, 2020

OR

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

For the transition period from ________________ to ________________________

Commission File Number 001-37502

MASTERCRAFT BOAT HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**06-1571747**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

100 Cherokee Cove Drive, Vonore, TN 37885
(Address of Principal Executive Office) (Zip Code)

(423) 884-2221
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MCFT	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☑		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☑

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

As of May 4, 2020, there were 18,872,119 shares of the Registrant's common stock, par value $0.01 per share, issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements can generally be identified by the use of statements that include words such as "could," "may," "might," "will," "expect," "likely," "believe," "continue," "anticipate," "estimate," "intend," "plan," "project" and other similar words or phrases. Forward-looking statements involve estimates and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

The forward-looking statements contained in this quarterly report on Form 10-Q are based on assumptions that we have made considering our industry experience and our perceptions of historical trends, current conditions, expected future developments and other important factors we believe are appropriate under the circumstances. As you read and consider this quarterly report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many important factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements, including but not limited to the following: the potential effects of the coronavirus ("COVID-19") pandemic on the Company, general economic conditions, demand for our products, changes in consumer preferences, competition within our industry, our reliance on our network of independent dealers, our ability to manage our manufacturing levels and our fixed cost base, the successful introduction of our new products and the other important factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, filed with the Securities and Exchange Commission (the "SEC") on September 13, 2019 (our "2019 Annual Report"), our Quarterly Report on Form 10-Q for the fiscal quarter ended December 29, 2019, filed with the SEC on February 5, 2020 (our "Fiscal Second Quarter Quarterly Report"), and this Quarterly Report on Form 10-Q (this "Quarterly Report"). Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements.

Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this quarterly report on Form 10-Q to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New important factors that could cause our business not to develop as we expect may emerge from time to time, and it is not possible for us to predict all of them.

MASTERCRAFT BOAT HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
NET SALES	$ 102,562	$ 128,390	$ 311,979	$ 343,572
COST OF SALES	81,288	97,033	244,030	261,939
GROSS PROFIT	21,274	31,357	67,949	81,633
OPERATING EXPENSES:				
Selling and marketing	4,933	5,210	13,340	13,757
General and administrative	6,094	6,696	19,356	20,576
Amortization of other intangible assets	987	987	2,961	2,504
Goodwill and other intangible asset impairment	56,437	-	56,437	-
Total operating expenses	68,451	12,893	92,094	36,837
OPERATING INCOME (LOSS)	(47,177)	18,464	(24,145)	44,796
OTHER EXPENSE:				
Interest expense	1,086	1,867	3,667	4,829
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(48,263)	16,597	(27,812)	39,967
INCOME TAX EXPENSE (BENEFIT)	(11,550)	3,834	(6,601)	8,552
NET INCOME (LOSS)	$ (36,713)	$ 12,763	$ (21,211)	$ 31,415
NET INCOME (LOSS) PER SHARE:				
Basic	$ (1.96)	$ 0.68	$ (1.13)	$ 1.68
Diluted	$ (1.96)	$ 0.68	$ (1.13)	$ 1.67
WEIGHTED AVERAGE SHARES USED FOR COMPUTATION OF:				
Basic earnings per share	18,739,480	18,657,719	18,731,338	18,652,289
Diluted earnings per share	18,739,480	18,756,605	18,731,338	18,765,897

Notes to Unaudited Condensed Consolidated Financial Statements form an integral part of the condensed consolidated financial statements.

MASTERCRAFT BOAT HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	March 29, 2020	June 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 40,991	$ 5,826
Accounts receivable, net of allowances of $340 and $281, respectively	10,148	12,463
Income tax receivable	5,703	951
Inventories, net (Note 4)	37,159	30,660
Prepaid expenses and other current assets	4,979	4,464
Total current assets	98,980	54,364
Property, plant and equipment, net	41,669	33,636
Goodwill (Note 6)	29,593	74,030
Other intangible assets, net (Note 6)	64,836	79,799
Deferred income taxes	13,792	6,240
Deferred debt issuance costs, net	371	451
Operating lease assets (Note 8)	779	—
Other long-term assets	248	253
Total assets	$ 250,268	$ 248,773
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 14,008	$ 17,974
Income tax payable	—	426
Accrued expenses and other current liabilities (Note 5)	42,912	41,421
Current portion of long-term debt, net of unamortized debt issuance costs (Note 7)	9,004	8,725
Total current liabilities	65,924	68,546
Long-term debt, net of unamortized debt issuance costs (Note 7)	129,429	105,016
Operating lease liabilities (Note 8)	445	—
Unrecognized tax positions	3,114	2,895
Total liabilities	198,912	176,457
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value per share — authorized, 100,000,000 shares; issued and outstanding, 18,872,119 shares at March 29, 2020 and 18,764,037 shares at June 30, 2019	189	188
Additional paid-in capital	115,832	115,582
Accumulated deficit	(64,665)	(43,454)
Total stockholders' equity	51,356	72,316
Total liabilities and stockholders' equity	$ 250,268	$ 248,773

Notes to Unaudited Condensed Consolidated Financial Statements form an integral part of the condensed consolidated financial statements.

MASTERCRAFT BOAT HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at June 30, 2019	18,764,037	$ 188	$ 115,582	$ (43,454)	$ 72,316
Share-based compensation activity	74,960	1	169	—	170
Net income	—	—	—	8,623	8,623
Balance at September 29, 2019	18,838,997	189	115,751	(34,831)	81,109
Share-based compensation activity	33,169	—	(78)	—	(78)
Net income	—	—	—	6,879	6,879
Balance at December 29, 2019	18,872,166	189	115,673	(27,952)	87,910
Share-based compensation activity	(47)	—	159	—	159
Net loss	—	—	—	(36,713)	(36,713)
Balance at March 29, 2020	18,872,119	$ 189	$ 115,832	$ (64,665)	$ 51,356

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at June 30, 2018	18,682,338	$ 187	$ 114,052	$ (61,717)	$ 52,522
Adoption of accounting standards	—	—	—	(3,091)	(3,091)
Share-based compensation activity	39,082	—	279	—	279
Net income	—	—	—	8,465	8,465
Balance at September 30, 2018	18,721,420	187	114,331	(56,343)	58,175
Share-based compensation activity	4,770	—	363	(1)	362
Net income	—	—	—	10,188	10,188
Balance at December 30, 2018	18,726,190	187	114,694	(46,156)	68,725
Share-based compensation activity	(2,196)	—	371	—	371
Net income	—	—	—	12,763	12,763
Balance at March 31, 2019	18,723,994	$ 187	$ 115,065	$ (33,393)	$ 81,859

Notes to Unaudited Condensed Consolidated Financial Statements form an integral part of the condensed consolidated financial statements.

MASTERCRAFT BOAT HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine Months Ended	
	March 29, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (21,211)	$ 31,415
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,686	5,450
Share-based compensation	703	1,159
Deferred income taxes	(7,552)	62
Unrecognized tax benefits	219	646
Amortization of debt issuance costs	420	410
Goodwill and other intangible asset impairment	56,437	—
Changes in certain operating assets and liabilities	(13,657)	(382)
Other, net	855	792
Net cash provided by operating activities	23,900	39,552
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for acquisitions, net of cash acquired	—	(81,729)
Purchases of property, plant and equipment	(13,601)	(10,387)
Proceeds from disposal of property, plant and equipment	25	5
Net cash used in investing activities	(13,576)	(92,111)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	—	80,000
Principal payments on long-term debt	(10,647)	(29,015)
Borrowings on revolving credit facility	35,000	—
Proceeds from insurance premium financing	1,130	—
Principal payments on insurance premium financing	(189)	—
Payments of debt issuance costs	—	(146)
Cash paid for withholding taxes on vested stock	(453)	(728)
Net cash provided by financing activities	24,841	50,111
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,165	(2,448)
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	5,826	7,909
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 40,991	$ 5,461
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 3,263	$ 3,957
Cash payments for income taxes	6,146	7,765
SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures in accounts payable and accrued expenses	80	399

Notes to Unaudited Condensed Consolidated Financial Statements form an integral part of the condensed consolidated financial statements.

1. ORGANIZATION, BASIS OF PRESENTATION, AND SIGNIFICANT ACCOUNTING POLICIES

Organization — MasterCraft Boat Holdings, Inc. (“Holdings”) was formed on January 28, 2000, as a Delaware holding company and operates primarily through its wholly owned subsidiaries, MasterCraft Boat Company, LLC, MasterCraft Services, LLC, MasterCraft Parts, Ltd., and MasterCraft International Sales Administration, Inc. (collectively, “MasterCraft”); Nautic Star, LLC and NS Transport, LLC (collectively, “NauticStar”); and Crest Marine LLC (“Crest”). Holdings and its subsidiaries collectively are referred to herein as the “Company”.

The Company is a leading innovator, designer, manufacturer, and marketer of recreational powerboats that operates in three reportable segments: MasterCraft, NauticStar and Crest. See Note 12 for information regarding the Company’s reportable segments.

Basis of Presentation — The Company’s fiscal year begins July 1 and ends June 30, with the interim quarterly reporting periods consisting of 13 weeks. Therefore, the fiscal quarter end will not always coincide with the date of the end of a calendar month.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the Company’s audited consolidated financial statements for the year ended June 30, 2019 and, in the opinion of management, reflect all adjustments considered necessary to present fairly the Company’s financial position as of March 29, 2020, its results of operations for the three and nine months ended March 29, 2020 and March 31, 2019, its cash flows for the nine months ended March 29, 2020 and March 31, 2019, and its statements of stockholders’ equity for the three and nine months ended March 29, 2020 and March 31, 2019. All adjustments are of a normal, recurring nature. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for financial information have been condensed or omitted pursuant to such rules and regulations. The June 30, 2019 condensed consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP for complete financial statements. However, management believes that the disclosures in these condensed consolidated financial statements are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019, filed with the SEC on September 13, 2019 (our “2019 Annual Report”).

Due to the seasonality of the Company’s business, the interim results are not necessarily indicative of the results that may be expected for the remainder of the fiscal year.

COVID-19 Pandemic — The outbreak of a novel coronavirus throughout the world, including the United States, during early calendar year 2020 has caused widespread business and economic disruption through mandated and voluntary business closings and restrictions on the movement and activities of people (“COVID-19 Pandemic”). We are subject to risks and uncertainties as a result of the COVID-19 Pandemic. The extent of the impact of the COVID-19 Pandemic on the Company's business is highly uncertain and difficult to predict, as the response to the COVID-19 Pandemic is rapidly evolving in many countries, including the United States and other markets where the Company operates. It is expected that many of the Company's customers, dealers, and suppliers could be impacted by these closings and restrictions which could materially and adversely affect demand for our products, our ability to obtain or deliver inventory, and our ability to collect accounts receivables as customers face higher liquidity and solvency risk. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 Pandemic, and it is possible that it could cause an economic downturn, recession, or depression. Such economic disruption could have a material adverse effect on our business as retail demand for our products could decline which would in-turn reduce wholesale demand from our dealers. Policymakers around the world have responded with fiscal and monetary policy actions to support the economy. The magnitude and overall effectiveness of these actions remains uncertain.

To protect the health of its manufacturing employees and to balance wholesale production with retail demand, the Company suspended operations at its manufacturing facilities for all of its brands in late March 2020. As a result of this action, the Company temporarily laid off nearly all of its hourly workforce. After further evaluation, the Company intends to resume operations at its Owosso, Michigan facility (Crest Marine boats) on May 11, 2020, its Amory, Mississippi facility (NauticStar boats) on May 11, 2020, and its Vonore, Tennessee facility (MasterCraft and Aviara boats) on May 12, 2020. As the Company resumes its operations, it will continue to evaluate and monitor the health and safety of its employees and will adhere to federal and local government mandates and guidelines.

The severity of the impact of the COVID-19 Pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration, spread, severity, and impact of the pandemic, the remedial actions and stimulus measures adopted by local and federal governments, the effects of the pandemic on the Company's customers, dealers and suppliers, and to the extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted. The Company's future results of operations, cash flows, and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, additional goodwill and intangible impairment charges (see Note 6), and the impact of any initiatives that the Company may undertake to address financial and operational challenges faced by it and its customers, dealers, and suppliers. As of the date of issuance of these condensed consolidated financial statements, the extent to which the COVID-19 Pandemic may materially impact the Company's financial condition, liquidity, or results of operations is uncertain.

With the exception of Accounting Standards Codification ("ASC") 842 discussed below, there were no significant changes in or changes in the application of the Company's significant or critical accounting policies or estimation procedures for the nine months ended March 29, 2020 as compared with the significant accounting policies described in the Company's audited consolidated financial statements for the fiscal year ended June 30, 2019.

Recently Adopted Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, ("ASC 842") which requires lessees to recognize assets and liabilities on the balance sheet for all leases with terms greater than twelve months. On July 1, 2019, the Company adopted ASC 842 and all related amendments. The Company elected the optional transition method provided by the FASB in ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, and as a result, has not restated its condensed consolidated financial statements for prior periods presented. The Company has elected the package of practical expedients upon transition which allowed the Company to retain the lease classification for any leases that existed prior to adoption, to not reassess whether any contracts entered into prior to adoption are leases, and to not reassess initial direct costs for any leases that existed prior to adoption.

ASC 842 did not have a material impact on the Company's condensed consolidated statements of operations. The cumulative effect of the changes made to the Company's consolidated balance sheet as of July 1, 2019 for the adoption of ASC 842 was as follows:

	Balance as of June 30, 2019	Adjustments Due to ASC 842	Balance as of July 1, 2019
Assets			
Operating lease assets	$ -	$ 3,931	$ 3,931
Current liabilities			
Accrued expenses and other current liabilities	41,421	547	41,968
Long-term liabilities			
Operating lease liabilities	-	3,384	3,384

The Company determines if an arrangement is a lease at lease inception. Operating lease right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As the Company's lease contracts generally do not include an implicit rate, the Company uses its incremental borrowing rate based on information available at commencement date in determining the present value of future payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The operating lease ROU asset also includes any initial direct costs and lease payments made prior to lease commencement and excludes lease incentives incurred.

The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company may enter into lease agreements that contain both lease and non-lease components, which it has elected to account for as a single lease component for all asset classes. See Note 8 for information regarding the Company's leases.

Share-Based Compensation

In June 2018, the Financial Accounting Standards Board issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This guidance provides clarity and reduces complexity when applying the guidance in Topic 718, *Compensation—Stock Compensation* to the term or condition of share-based payments to nonemployees. ASU 2018-07 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018. The Company adopted this guidance for its fiscal year beginning July 1, 2019. The adoption of this standard did not have a material impact on its financial statements.

Recently Issued Accounting Standards

Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance modifies the disclosure requirements on fair value measurements in Topic 820 by removing disclosures regarding transfers between Level 1 and Level 2 of the fair value hierarchy, by modifying the measurement uncertainty disclosure, and by requiring additional disclosures for Level 3 fair value measurements, among others. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company does not expect the adoption of this new guidance to have a material impact on its financial statements.

2. REVENUE RECOGNITION

The following tables present the Company's revenue from contracts with customers by major product category and reportable segment.

	Three Months Ended March 29, 2020			
	MasterCraft	**NauticStar**	**Crest**	**Total**
Major Product Categories:				
Boats and trailers	$ 68,684	$ 14,053	$ 17,696	$ 100,433
Parts	1,705	103	136	1,944
Other revenue	142	—	43	185
Total	$ 70,531	$ 14,156	$ 17,875	$ 102,562

	Nine Months Ended March 29, 2020			
	MasterCraft	**NauticStar**	**Crest(a)**	**Total**
Major Product Categories:				
Boats and trailers	$ 204,303	$ 47,372	$ 52,417	$ 304,092
Parts	6,411	349	437	7,197
Other revenue	487	6	197	690
Total	$ 211,201	$ 47,727	$ 53,051	$ 311,979

	Three Months Ended March 31, 2019			
	MasterCraft	NauticStar	Crest	Total
Major Product Categories:				
Boats and trailers	$ 77,329	$ 21,624	$ 27,065	$ 126,018
Parts	1,798	22	166	1,986
Other revenue	304	6	76	386
Total	$ 79,431	$ 21,652	$ 27,307	$ 128,390

	Nine Months Ended March 31, 2019			
	MasterCraft	NauticStar	Crest(a)	Total
Major Product Categories:				
Boats and trailers	$ 224,604	$ 58,187	$ 52,819	$ 335,610
Parts	6,464	57	252	6,773
Other revenue	994	11	184	1,189
Total	$ 232,062	$ 58,255	$ 53,255	$ 343,572

(a) Crest was acquired on October 1, 2018.

Contract Liabilities

As of June 30, 2019, the Company had $0.8 million of contract liabilities associated with customer deposits. During the nine months ended March 29, 2020, all of this amount was recognized as revenue. As of March 29, 2020, total contract liabilities associated with customer deposits were $0.4 million, were reported in Accrued expenses and other current liabilities on the condensed consolidated balance sheet, and are expected to be recognized as revenue during the remainder of the year ended June 30, 2020.

3. RELATED PARTY TRANSACTIONS

Crest Facility Lease

In connection with the operations of Crest, the Company made rental payments to Crest Marine Real Estate LLC ("Real Estate") for a manufacturing facility, storage and office building (the "Crest Facility"). One of the minority owners of Real Estate is a member of the Crest management team. The lease was to expire on September 30, 2028, and was subject to four consecutive, five-year renewal periods. The lease terms included an option for the Company to purchase the Crest Facility for an amount equal to its fair market value, as determined by appraisals and negotiation between the Company and Real Estate (the "Purchase Option"). The annual rent under the lease was $0.3 million for the first five years of the lease term, and was to increase to $0.4 million for the remaining five years. Additionally, at the beginning of each of the optional renewal terms the rent was to be adjusted based on the change in the Consumer Price Index. In accordance with the Purchase Option, on October 24, 2019 the Company purchased the Crest Facility for $4.1 million. See Note 8 for additional information regarding the purchase.

Crest Supplier Relationship

Crest purchases fiberglass component parts from a supplier whose minority owner was the same member of the Crest management team that has a minority ownership interest in Real Estate. On January 31, 2020 this minority ownership interest was divested and this supplier ceased being a related party. During the period beginning July 1, 2019 and ending January 31, 2020, the Company purchased $1.8 million of products from the supplier.

4. INVENTORIES

Inventories consisted of the following:

	March 29, 2020	June 30, 2019
Raw materials and supplies	$ 24,028	$ 20,034
Work in process	5,898	4,571
Finished goods	8,982	7,207
Obsolescence reserve	(1,749)	(1,152)
Total inventories	$ 37,159	$ 30,660

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	March 29, 2020	June 30, 2019
Warranty	$ 19,318	$ 17,205
Dealer incentives	11,172	12,623
Compensation and related accruals	2,757	3,494
Floor plan interest	2,570	2,060
Inventory repurchase contingent obligation	1,779	1,936
Insurance premium financing	941	—
Self-insurance	1,027	606
Debt interest	342	405
Current operating lease liabilities	334	—
Other	2,672	3,092
Total accrued expenses and other current liabilities	$ 42,912	$ 41,421

The following activity related to warranty liabilities was recorded in Accrued expenses and other current liabilities during the nine months ended March 29, 2020 and March 31, 2019:

	Nine Months Ended	
	March 29, 2020	March 31, 2019
Balance at the beginning of the period	$ 17,205	$ 13,077
Provisions	5,828	5,735
Additions for Crest acquisition	—	727
Payments made	(5,921)	(5,223)
Aggregate changes for preexisting warranties	2,206	2,417
Balance at the end of the period	$ 19,318	$ 16,733

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Impairment

The current economic environment, including the significant declines in share price, market volatility and the disruption to the Company's supply chain resulting from the COVID-19 Pandemic, triggered an interim impairment analysis for the Company's intangible assets including goodwill. Holistically, the Company evaluated the events and changes in circumstances since the most recent quantitative impairment test performed as of June 30, 2019 and determined that is more likely than not that our trade names and goodwill at certain reporting units were impaired.

Determining the fair value of trade names and goodwill required the use of significant judgement, including estimation of cash flows, which are dependent on internal forecasts, estimation of long-term growth rate for each reporting unit, and determination of the weighted average cost of capital. A number of significant assumptions and estimates are involved in the application of the discounted cash flow model to forecast operating cash flows, including market growth and market share, sales volumes and prices, production costs, discount rate, and estimated capital needs. Management considers historical experience and all available information at the time that the fair values of the Company's reporting units are estimated. Inputs used to estimate these fair values included significant unobservable inputs that reflect the Company's assumptions about the inputs that market participants would use and, therefore, the fair value assessments are classified within Level 3 of the fair value hierarchy.

If the carrying amount of trade names or goodwill exceed their fair value, then they are considered impaired and an impairment loss is recognized in an amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the carrying amount of the trade name or goodwill allocated to that reporting unit. As a result of this analysis, the Company recorded impairment charges totaling $56.4 million during the three months ended March 29, 2020 related to the NauticStar and Crest segments. The charges recorded to each segment are detailed below, and are included in Goodwill and other intangible asset impairment on the condensed consolidated statements of operations. The impairment was principally a result of a decline, in the fiscal third quarter, in market conditions, including our share price, and the outlook for sales and operating performance relative to the Company's acquisition plans and impairment test performed as of June 30, 2019.

Goodwill and other intangible asset impairment for the three and nine months ended March 29, 2020 was as follows:

	NauticStar	Crest	Consolidated
Goodwill	$ 8,199	$ 36,238	$ 44,437
Trade name	5,000	7,000	12,000
Total	$ 13,199	$ 43,238	$ 56,437

While the extent and duration of the economic impact from the COVID-19 pandemic remain unclear, changes in assumptions and estimates may affect the fair value of goodwill and other intangibles and could result in additional impairment charges in future periods.

The carrying amounts of goodwill as of March 29, 2020 and June 30, 2019, attributable to each of the Company's reportable segments, were as follows:

Balance as of March 29, 2020	Gross Amount	Accumulated Impairment Losses	Total
MasterCraft	$ 29,593	$ -	$ 29,593
NauticStar	36,199	(36,199)	-
Crest	36,238	(36,238)	-
Total	$ 102,030	$ (72,437)	$ 29,593

Balance as of June 30, 2019	Gross Amount	Accumulated Impairment Losses	Total
MasterCraft	$ 29,593	$ -	$ 29,593
NauticStar	36,199	(28,000)	8,199
Crest	36,238	-	36,238
Total	$ 102,030	$ (28,000)	$ 74,030

The following table presents the carrying amount of Other intangible assets, net as of March 29, 2020 and June 30, 2019.

	March 29, 2020			June 30, 2019		
	Gross Amount	Accumulated Amortization / Impairment	Other intangible assets, net	Gross Amount	Accumulated Amortization / Impairment	Other intangible assets, net
Amortized intangible assets						
Dealer networks	$ 39,500	$ (8,835)	$ 30,665	$ 39,500	$ (5,909)	$ 33,591
Software	245	(74)	171	245	(37)	208
	39,745	(8,909)	30,836	39,745	(5,946)	33,799
Unamortized intangible assets						
Trade names	49,000	(15,000)	34,000	49,000	(3,000)	46,000
Total other intangible assets	$ 88,745	$ (23,909)	$ 64,836	$ 88,745	$ (8,946)	$ 79,799

Amortization expense related to Other intangible assets, net for the three and nine months ended March 29, 2020 was $1.0 and $3.0 million, respectively. Amortization expense related to Other intangible assets, net for the three and nine months ended March 31, 2019 was $1.0 and $2.5, respectively. Estimated amortization expense for the fiscal year ended June 30, 2020 is $4.0 million.

7. LONG-TERM DEBT

Long-term debt is as follows:

	March 29, 2020	June 30, 2019
Revolver	$ 35,000	$ -
Senior secured term loans	104,703	115,349
Debt issuance costs on term loans	(1,270)	(1,608)
Total debt	138,433	113,741
Less current portion of long-term debt	9,420	9,167
Less current portion of debt issuance costs on term loans	(416)	(442)
Long-term debt, net of current portion	$ 129,429	$ 105,016

On October 1, 2018, the Company entered into the Fourth Amended and Restated Credit and Guaranty Agreement with a syndicate of certain financial institutions (the “Fourth Amended Credit Agreement”). The Fourth Amended Credit Agreement replaced the Company’s Third Amended and Restated Credit Agreement, dated October 2, 2017. The Fourth Amended Credit Agreement provides the Company with a $190.0 million senior secured credit facility, consisting of a $75.0 million term loan, and an $80.0 million term loan (together, the “Term Loans”), and a $35.0 million revolving credit facility (the “Revolving Credit Facility”).

The Fourth Amended Credit Agreement bears interest, at the Company’s option, at either the prime rate plus an applicable margin ranging from 0.5% to 1.5% or at an adjusted LIBOR rate plus an applicable margin ranging from 1.5% to 2.5%, in each case based on the Company's Total Net Leverage Ratio, as defined under the Fourth Amended Credit Agreement. Based on the Company's Total Net Leverage Ratio as of March 29, 2020, the applicable margin for loans accruing interest at the prime rate is 0.75% and the applicable margin for loans accruing interest at LIBOR is 1.75%.

As of March 19, 2020, the Company drew $35.0 million on its revolving credit agreement as a precautionary measure in order to increase its cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 Pandemic. As of March 29, 2020, the Company had $35.0 million of borrowings outstanding on its Revolving Credit Facility. The Company's unamortized debt issuance costs related to the Revolving Credit Facility were $0.4 million and $0.5 million as of March 29, 2020 and June 30, 2019, respectively. All amounts outstanding under the Fourth Amended Credit Agreement mature in October 2023. As of March 29, 2020, the Company was in compliance with its financial covenants under the Fourth Amended Credit Agreement.

Amendment to Fourth Amended Credit Agreement

On May 7, 2020, the Company entered into Amendment No. 3 to the Fourth Amended Credit Agreement (the "Amendment"). The changes effected by the Amendment include, among others, the temporary removal and replacement of the Company's financial covenants, the addition of a 50 basis point floor on LIBOR, modifications to the range of applicable LIBOR and prime interest rate margins, and a revision of the Total Net Leverage Ratio calculation. Under the Amendment, the Total Net Leverage Ratio covenant and Fixed Charge Coverage Ratio covenant of the Fourth Amended Credit Agreement are temporarily replaced with three separate covenants: (i) an Interest Coverage Ratio, (ii) a Minimum Liquidity threshold, and (iii) a Maximum Unfinanced Capital Expenditures limitation (the "Package of Financial Covenants"). The Package of Financial Covenants are in place through the quarter ended March 31, 2021, at which time the Total Net Leverage Ratio covenant and Fixed Charge Coverage Ratio covenant will be reinstated and the Package of Financial Covenants will sunset, and with the minimum liquidity covenant being tested on the last day of each fiscal month through May 31, 2021. In addition, the Total Net Leverage Ratio calculation was temporarily revised to include all unrestricted cash balances, without limitation, until June 30, 2021.

Pursuant to the Amendment, the applicable interest, at the Company's option, is at either the prime rate plus an applicable margin ranging from 0.5% to 2.25% or at an adjusted LIBOR rate plus an applicable margin ranging from 1.5% to 3.25%, in each case based on the Company's Total Net Leverage Ratio.

Insurance Premium Financing

On March 27, 2020, the Company executed an insurance premium financing agreement of $1.1 million with a premium finance company in order to finance certain of its annual insurance premiums. Beginning on April 1, 2020, the financing agreement is payable in eleven monthly installments of principal and interest of approximately $0.1 million. The agreement bears interest at 3.6%. The balance of the insurance premium financing as of March 29, 2020 was $0.9 million and is recorded in Accrued expenses and other current liabilities.

8. LEASES

The Company has lease agreements for certain personal and real property. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. Our lease agreements do not include any significant renewal options. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Upon adoption of ASC 842 on July 1, 2019, the Company's most significant lease was for the Crest Facility, which was classified as an operating lease. This lease included the Purchase Option for the Company to acquire the premises. During the three months ended September 29, 2019, the decision was made to exercise the Purchase Option which resulted in $2.8 million of operating lease assets and liabilities being reclassified to finance lease assets and liabilities on the September 29, 2019 condensed consolidated balance sheet. In addition, the decision to exercise the Purchase Option resulted in the remeasurement of the related lease balances which added $1.3 million of additional finance lease assets and finance lease liabilities to the September 29, 2019 condensed consolidated balance sheet.

In accordance with the Purchase Option, on October 24, 2019 the Company completed the purchase of the Crest Facility for $4.1 million. Upon completion of this purchase, the Company recognized approximately $4.1 million in Property, plant and equipment, net and derecognized approximately $4.1 million of both Finance lease assets and Accrued expenses and other current liabilities on the condensed consolidated balance sheet.

The purchase price of the Crest Facility was determined by appraisal and negotiation between the Company and Real Estate. The Company funded the purchase by utilizing cash from operations.

A summary of the Company's lease assets and lease liabilities as of March 29, 2020 is as follows:

	Classification	March 29, 2020
Lease Assets		
Operating lease assets	Operating lease assets	$ 779
Lease Liabilities		
Current operating lease liabilities	Accrued expenses and other current liabilities	334
Non-current operating lease liabilities	Operating lease liabilities	445
Total lease liabilities		$ 779

A summary of the Company's total lease cost for the three and nine months ended March 29, 2020 is as follows:

	Classification	Three Months Ended	Nine Months Ended
Operating lease cost	Cost of sales	$ 93	$ 382
	General and administrative	9	25
Total lease cost(a)		$ 102	$ 407

(a) Includes total variable lease cost and total short-term lease cost, both of which were immaterial.

The Company's maturity analysis of its operating lease liabilities as of March 29, 2020 is as follows:

Remainder of 2020	$ 92
2021	359
2022	298
2023	72
2024	1
Total lease payments	822
Less: Interest	(43)
Present value of lease payments	$ 779

The total weighted-average discount rate and remaining lease term for the Company's operating leases were 4.73% and 2.36 years, respectively, as of March 29, 2020. For the nine months ended March 29, 2020, total operating cash flows related to operating leases were $0.4 million.

Future minimum rental payments under all non-cancelable operating leases with remaining lease terms in excess of one year at June 30, 2019, were as follows:

2020	$	703
2021		690
2022		628
2023		402
2024		402
Thereafter		1,806
Total	$	4,631

9. INCOME TAXES

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) (the "CARES Act"). Among the changes to the U.S. federal income tax rules, the CARES Act restored net operating loss carryback rules that were eliminated by the Tax Cuts and Jobs Act (the "Tax Reform Act"), modified the limit on the deduction for net interest expense and accelerated the timeframe for refunds of AMT credits. The Company has evaluated the impact of the CARES Act and has not identified any material effect on its results of operations, financial condition, or cash flows.

The Company's consolidated interim effective tax rate is based on a current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items. The differences between the Company's effective tax rates and the statutory federal tax rate of 21.0% primarily relate to the inclusion of the state tax rate in the overall effective rate offset by a permanent benefit associated with the foreign derived intangible income deduction. During the three months ended March 29, 2020 and March 31, 2019, the Company's effective tax rates were 23.9% and 23.1%, respectively. During the nine months ended March 29, 2020 and March 31, 2019, the Company's effective tax rates were 23.7% and 21.4%, respectively. The Company's effective tax rates for the three and nine months ended March 29, 2020 are higher compared to the effective tax rates for the three and nine months ended March 31, 2019, primarily due to favorable discrete adjustments which reduced the effective tax rates for the three and nine months ended March 31, 2019.

10. NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of the Company's net income (loss) per share:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	**March 31, 2019**	**March 29, 2020**	**March 31, 2019**
Net income (loss)	$ (36,713)	$ 12,763	$ (21,211)	$ 31,415
Weighted average shares — basic	18,739,480	18,657,719	18,731,338	18,652,289
Dilutive effect of assumed exercises of stock options	—	39,160	—	47,258
Dilutive effect of assumed restricted share awards/units	—	59,726	—	66,350
Weighted average outstanding shares — diluted	18,739,480	18,756,605	18,731,338	18,765,897
Basic net income per share	$ (1.96)	$ 0.68	$ (1.13)	$ 1.68
Diluted net income (loss) per share	$ (1.96)	$ 0.68	$ (1.13)	$ 1.67

For the three and nine months ended March 29, 2020 and March 31, 2019, the weighted average shares that were anti-dilutive, and therefore excluded from the computation of diluted net income (loss) per share, included:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	**March 31, 2019**	**March 29, 2020**	**March 31, 2019**
Restricted stock awards	61,420	1,757	44,428	1,090
Performance stock units	52,288	33,365	45,258	1,036

11. SHARE-BASED COMPENSATION

The following table presents the components of share-based compensation expense by award type.

	Three Months Ended		Nine Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Restricted stock awards	$ 378	$ 50	$ 898	$ 667
Performance stock units	(219)	116	(204)	341
Stock options	-	205	9	151
Share-based compensation expense	$ 159	$ 371	$ 703	$ 1,159

Adjustment to Share-Based Compensation

Based upon current economic trends, the probability of attaining the performance criteria of the Performance Stock Units (PSUs") has been lowered. As a result, the amount of share-based compensation expense has been lowered by approximately $0.4 million on a cumulative basis from original estimates during the three months ended March 29, 2020.

Restricted Stock Awards

During the nine months ended March 29, 2020, the Company granted 138,457 RSAs to the Company's non-executive directors, officers and certain other key employees. Generally, the shares of restricted stock granted during the nine months ended March 29, 2020, vest pro-rata over three years for officers and certain other key employees and over one year for non-executive directors. The Company determined the fair value of the shares awarded by using the close price of our common stock as of the date of grant. The weighted average grant date fair value of RSAs granted in the nine months ended March 29, 2020, was $17.41 per share.

The following table summarizes the status of nonvested RSAs as of March 29, 2020, and changes during the nine months then ended.

	Nonvested Restricted Shares	Average Grant-Date Fair Value (per share)
Nonvested at June 30, 2019	53,804	$ 22.94
Granted	138,457	17.41
Vested	(24,854)	20.84
Forfeited	(34,797)	20.24
Nonvested at March 29, 2020	132,610	18.27

As of March 29, 2020, there was $1.6 million of total unrecognized compensation expense related to nonvested RSAs. The Company expects this expense to be recognized over a weighted average period of 1.7 years.

Performance Stock Units

PSUs are a form of long-term incentive compensation awarded to executive officers and certain other key employees designed to directly align the interests of employees to the interests of the Company's stockholders, and to create long-term stockholder value. The awards will be earned based on the Company's achievement of certain performance criteria over a three-year performance period. The performance period for the awards commences on July 1 of the fiscal year in which they were granted and continue for a three-year period, ending on June 30 of the applicable year. The probability of achieving the performance criteria is assessed quarterly. Following the determination of the Company's achievement with respect to the performance criteria, the number of shares awarded is subject to further adjustment based on the application of a total shareholder return ("TSR") modifier. The grant date fair value is determined based on both the probability assessment of the Company achieving the performance criteria and an estimate of the expected TSR modifier. The TSR modifier estimate is determined using a Monte Carlo Simulation model, which considers the likelihood of numerous possible outcomes of long-term market performance. Compensation expense related to nonvested PSUs is recognized ratably over the performance period.

The following table summarizes the status of nonvested PSUs as of March 29, 2020, and changes during the nine months then ended.

	Nonvested Performance Stock Units		Average Grant-Date Fair Value (per share)
Nonvested at June 30, 2019	50,621	$	23.34
Granted	72,048		18.14
Vested	-		-
Forfeited	(46,882)		20.82
Nonvested at March 29, 2020	75,787		19.95

As of March 29, 2020, there was $0.3 million of total unrecognized compensation expense related to nonvested PSUs. The Company expects this expense to be recognized over a weighted average period of 2.0 years.

12. SEGMENT INFORMATION

The Company designs, manufactures, and markets recreational performance sport boats, luxury day boats, and outboard boats under three operating and reportable segments: MasterCraft, NauticStar, and Crest. The Company's segments are defined by the Company's operational and reporting structures.

MasterCraft Segment

The MasterCraft segment produces boats under two product brands, MasterCraft and Aviara, at its Vonore, Tennessee facility. MasterCraft boats are premium recreational performance sport boats primarily used for water skiing, wakeboarding, wake surfing, and general recreational boating. Aviara boats are luxury day boats primarily used for general recreational boating. Production of Aviara boats began during the year ended June 30, 2019 and the Company began selling these boats in July 2019.

NauticStar Segment

The NauticStar segment produces boats at its Amory, Mississippi facility. NauticStar's boats are primarily used for saltwater fishing and general recreational boating.

Crest Segment

The Crest segment produces pontoon boats at its Owosso, Michigan facility. Crest's boats are primarily used for general recreational boating.

The following tables present financial information for the Company's reportable segments for the three and nine months ended March 29, 2020 and March 31, 2019 and total assets at March 29, 2020 and June 30, 2019.

	Three Months Ended March 29, 2020							
	MasterCraft		NauticStar		Crest		Consolidated	
Net sales	$	70,531	$	14,156	$	17,875	$	102,562
Operating income (loss)		11,062		(15,246)		(42,993)		(47,177)
Depreciation and amortization		1,205		807		620		2,632
Purchases of property, plant and equipment		1,289		799		10		2,098

	Nine Months Ended March 29, 2020			
	MasterCraft	NauticStar	Crest(a)	Consolidated
Net sales	$ 211,201	$ 47,727	$ 53,051	$ 311,979
Operating income (loss)	33,869	(15,892)	(42,122)	(24,145)
Depreciation and amortization	3,383	2,532	1,771	7,686
Purchases of property, plant and equipment	5,655	2,713	5,233	13,601

	Three Months Ended March 31, 2019			
	MasterCraft	NauticStar	Crest	Consolidated
Net sales	$ 79,431	$ 21,652	27,307	$ 128,390
Operating income	14,620	1,544	2,300	18,464
Depreciation and amortization	868	682	541	2,091
Purchases of property, plant and equipment	4,079	150	136	4,365

	Nine Months Ended March 31, 2019			
	MasterCraft	NauticStar	Crest(a)	Consolidated
Net sales	$ 232,062	$ 58,255	$ 53,255	$ 343,572
Operating income	37,563	2,698	4,535	44,796
Depreciation and amortization	2,405	1,967	1,078	5,450
Purchases of property, plant and equipment	8,551	1,663	173	10,387

(a) Crest was acquired on October 1, 2018.

	March 29, 2020	June 30, 2019
Assets:		
MasterCraft	$ 331,796	$ 273,046
NauticStar	40,334	52,761
Crest	41,151	85,979
Eliminations	(163,013)	(163,013)
Total assets	$ 250,268	$ 248,773

13. ACQUISITION

On October 1, 2018, we acquired Crest, a manufacturer of pontoon boats. For accounting purposes, Crest meets the definition of a business and has been accounted for as a business combination. We finalized the purchase price allocation and recorded measurement period adjustments to the initial allocation as disclosed in the notes to our consolidated financial statements included in our 2019 Annual Report. Beginning October 1, 2018, our consolidated results of operations include the results of Crest.

The unaudited pro forma financial results shown in the table below for the three and nine months ended March 31, 2019, combine the consolidated results of the Company and Crest giving effect to the Crest acquisition as if it had been completed on July 1, 2017. The unaudited pro forma financial results do not give effect to any of our other acquisition activity that occurred after July 1, 2017, and do not include any anticipated synergies or other assumed benefits of the Crest acquisition. This unaudited pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the Crest acquisition been completed as of July 1, 2017. The unaudited pro forma financial results include certain adjustments for acquisition-related costs, debt service costs and additional amortization expense based upon definite-life amortizable assets acquired. The provision for income taxes has also been adjusted for all periods, based upon the foregoing adjustments to historical results.

	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2019
Net sales	$ 128,390	$ 364,565
Net income	$ 12,765	$ 32,944
Basic earnings per share	$ 0.68	$ 1.77
Diluted earnings per share	$ 0.68	$ 1.76

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read together with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition, the statements in this discussion and analysis regarding our expectations concerning the performance of our business, anticipated financial results, liquidity and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Cautionary Note Regarding Forward-Looking Statements" above and in "Risk Factors" set forth in our 2019 Annual Report on Form 10-K, our Fiscal Second Quarter Quarterly Report and elsewhere in this Quarterly Report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Certain statements in the following discussions are based on non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP in the statements of operations, balance sheets or statements of cash flows of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-GAAP financial measures do not include operating and statistical measures. The Company includes non-GAAP financial measures in Management's Discussion and Analysis, as the Company's management believes that these measures and the information they provide are useful to users of the financial statements, including investors, because they permit users of the financial statements to view the Company's performance using the same tools that management utilizes and to better evaluate the Company's ongoing business performance. In order to better align the Company's reported results with the internal metrics used by the Company's management to evaluate business performance as well as to provide better comparisons to prior periods and peer data, non-GAAP measures exclude the impact of purchase accounting amortization related to business acquisitions.

Overview

COVID-19 Pandemic

The outbreak of a novel coronavirus throughout the world, including the United States, during early calendar year 2020 has caused widespread business and economic disruption through mandated and voluntary business closings and restrictions on the movement and activities of people ("COVID-19 Pandemic"). We are subject to risks and uncertainties as a result of the COVID-19 Pandemic. The extent of the impact of the COVID-19 Pandemic on the Company's business is highly uncertain and difficult to predict, as the response to the COVID-19 Pandemic is rapidly evolving in many countries, including the United States and other markets where the Company operates. It is expected that many of the Company's customers, dealers, and suppliers could be impacted by these closings and restrictions which could materially and adversely affect demand for our products, our ability to obtain or deliver inventory, and our ability to collect accounts receivable as customers face higher liquidity and solvency risk. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 Pandemic, and it is possible that it could cause an economic downturn, recession, or depression. Such economic disruption could have a material adverse effect on our business as retail demand for our products could decline which would in-turn reduce wholesale demand from our dealers. Policymakers around the world have responded with fiscal and monetary policy actions to support the economy. The magnitude and overall effectiveness of these actions remains uncertain.

To protect the health of its manufacturing employees and to balance wholesale production with retail demand, the Company suspended operations at its manufacturing facilities for all of its brands in late March 2020. As a result of this action, the Company temporarily laid off nearly all of its hourly workforce. The Company paid lump sum severance payments to laid off employees and provided for the temporary continuation of their healthcare benefits. These actions are estimated to have cost approximately $1.5 million during the fiscal 2020 third quarter (the "COVID-19 Shutdown Costs"). After further evaluation, the Company intends to resume operations at its Owosso, Michigan facility (Crest Marine boats) on May 11, 2020, its Amory, Mississippi facility (NauticStar boats) on May 11, 2020, and its Vonore, Tennessee facility (MasterCraft and Aviara boats) on May 12, 2020. As the Company resumes its operations, it will continue to evaluate and monitor the health and safety of its employees and will adhere to federal and local government mandates and guidelines.

On March 19, 2020, the Company drew $35.0 million on its revolving credit agreement as a precautionary measure in order to increase its cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 Pandemic. In the event of an extended manufacturing operation suspension or lower retail demand environment, the proceeds from this draw-down will be used in an effort to ensure the ongoing viability of operations and to protect our customers and stakeholders.

Additionally, on May 7, 2020, the Company entered into Amendment No. 3 to the Fourth Amended & Restated Credit and Guarantee Agreement (the “Amendment”) to strengthen our financial flexibility. Among other things, the changes effected by the Amendment provide temporary relief under our financial covenants. See Note 7 in Notes to Condensed Consolidated Financial Statements for more information regarding these changes.

The current economic environment, including the significant declines in share price, market volatility and the disruption to our supply chain, has also triggered an interim impairment analysis for our intangible assets including goodwill. As a result of our analysis, we recorded an impairment charges totaling $56.4 million related to the NauticStar and Crest segments (the “Impairment Charges”). The impairment was principally a result of a decline, in the fiscal third quarter, in market conditions, including our share price, and the outlook for sales and operating performance relative to our acquisition plans and impairment test performed as of June 30, 2019. See Note 6 in Notes to Condensed Consolidated Financial Statements for more information regarding the Impairment Charges.

The severity of the impact of the COVID-19 Pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration, spread, severity, and impact of the pandemic, the remedial action and stimulus measures adopted by local and federal governemnts, the effects of the pandemic on the Company's customers, dealers, and suppliers, and to the extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted. The Company's future results of operations, cash flows, and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, additional goodwill and other intangible asset impairment charges, and the impact of any initiatives that the Company may undertake to address financial and operational challenges faced by it and its customers, dealers, and suppliers. As of the date of issuance of these condensed consolidated financial statements, the extent to which the COVID-19 Pandemic may materially impact the Company's financial condition, liquidity, or results of operations is uncertain.

Overview of Results of Operations

Net sales were $102.6 million for the third quarter of 2020, which represented a decrease of 20.1 percent as compared to the third quarter of 2019, due to lower wholesale unit volumes primarily as a result of production cuts in anticipation of potential impact on retail demand from the COVID-19 pandemic and our continued effort to allow our dealers to right-size pipeline inventory levels. Partially offsetting this decline was Aviara sales included in our MasterCraft segment, and higher average wholesale prices for the MasterCraft brand.

Net sales were $312.0 million for the nine months ended March 29, 2020, which represented a decrease of 9.2 percent as compared to the nine months ended March 31, 2019, primarily for the same reasons described above for the quarterly period and softness in the overall saltwater fishing category. This decline was partially offset by Aviara sales included in our MasterCraft segment, higher average wholesale prices for both the MasterCraft brand and NauticStar, and lower sales discounts for our Canadian dealers related to import tariff support.

Gross profit for the third quarter of 2020 decreased 32.2 percent, primarily due to lower unit sales volume for each reportable segment, $1.5 million in COVID-19 Shutdown Costs and higher sales discounts. This decline was partially offset by price increases for each reportable segment. Gross margin percentage decreased by 3.7 percentage points to 20.7 percent for the third quarter of 2020 from 24.4 percent for the third quarter of 2019 primarily due to lower overhead absorption resulting from lower unit sales volume and $1.5 million of transitory COVID-19 Shutdown Costs and higher sales discounts.

Gross profit for the nine months ended March 29, 2020 decreased 16.8 percent, primarily due to lower unit sales volume for each reportable segment and $1.5 million in COVID-19 Shutdown Costs. This decline was partially offset by price increases for each reportable segment, the inclusion of Crest’s first quarter 2020 results, and lower sales discounts attributable to the MasterCraft brand. Gross margin percentage decreased by 2.0 percentage points to 21.8 percent for the nine months ended March 29, 2020 from 23.8 percent for the nine months ended March 31, 2019, primarily due to lower overhead absorption driven by lower unit sales volume for each reportable segment, $1.5 million of transitory COVID-19 Shutdown Costs, and the inclusion of Crest's first quarter 2020 results.

Net loss was $(36.7) million for the third quarter of 2020, compared to Net income of $12.8 million for the third quarter of 2019. Diluted net loss per share was $(1.96), compared to diluted net income per share of $0.68 for the prior year period.

Net loss was $(21.2) million for the nine months ended March 29, 2020, compared to Net income of $31.4 million for the nine months ended March 31, 2019. Diluted net loss per share was $(1.13), compared to Net income per share of $1.67 for the prior year period. Net loss for the three and nine months ended March 29, 2020 included Goodwill and other intangible asset impairment charges of $56.4, or $(3.01) per diluted share.

Aviara Brand Launch

We began selling boats under the Aviara brand during the first quarter of 2020. Aviara boats are designed, engineered, and manufactured to meet the exacting specifications of consumers seeking the ultimate luxury recreational day boat experience. The brand's first model, the AV32, began selling during the first quarter of 2020 and the AV36 began selling during the second quarter of 2020. In February 2020, we launched the third Aviara model, the AV40, which we expect to begin selling in the first quarter of fiscal 2021. Aviara is built in our MasterCraft facility and is part of the MasterCraft reportable segment.

Results of Operations

The table below presents our consolidated results of operations for the three months ended:

	Three Months Ended				2020 vs. 2019	
	March 29, 2020		March 31, 2019		Change	% Change
	(Dollars in thousands)					
Consolidated statements of operations:						
NET SALES	$	102,562	$	128,390	$ (25,828)	(20.1%)
COST OF SALES		81,288		97,033	(15,745)	(16.2%)
GROSS PROFIT		21,274		31,357	(10,083)	(32.2%)
OPERATING EXPENSES:						
Selling and marketing		4,933		5,210	(277)	(5.3%)
General and administrative		6,094		6,696	(602)	(9.0%)
Amortization of other intangible assets		987		987	-	0.0%
Goodwill and other intangible asset impairment		56,437		—	56,437	
Total operating expenses		68,451		12,893	55,558	430.9%
OPERATING INCOME (LOSS)		(47,177)		18,464	(65,641)	(355.5%)
OTHER EXPENSE:						
Interest expense		1,086		1,867	(781)	(41.8%)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE		(48,263)		16,597	(64,860)	(390.8%)
INCOME TAX EXPENSE (BENEFIT)		(11,550)		3,834	(15,384)	(401.3%)
NET INCOME (LOSS)	$	(36,713)	$	12,763	$ (49,476)	(387.7%)
Additional financial and other data:						
Unit sales volume:						
MasterCraft		713		868	(155)	(17.9%)
NauticStar		313		485	(172)	(35.5%)
Crest		461		728	(267)	(36.7%)
Consolidated unit sales volume		1,487		2,081	(594)	(28.5%)
Net sales:						
MasterCraft	$	70,531	$	79,431	$ (8,900)	(11.2%)
NauticStar		14,156		21,652	(7,496)	(34.6%)
Crest		17,875		27,307	(9,432)	(34.5%)
Consolidated net sales	$	102,562	$	128,390	$ (25,828)	(20.1%)
Net sales per unit:						
MasterCraft	$	99	$	92	$ 7	7.6%
NauticStar		45		45	-	0.0%
Crest		39		38	1	2.6%
Consolidated net sales per unit		69		62	7	11.3%
Gross margin percentage		20.7%		24.4%	-370 bpts	

Three Months Ended March 29, 2020 Compared to the Three Months Ended March 31, 2019

Net Sales. Net Sales for the third quarter were $102.6 million, a decrease of $25.8 million, or 20.1 percent, compared to $128.4 million for the prior-year period. The decrease was primarily due to:

- an $8.9 million decrease for the MasterCraft segment, due to lower unit sales volume for our MasterCraft brand as we proactively decreased unit production in anticipation of potential impact on retail demand from the COVID-19 Pandemic, reduced unit production as we continued to right-size our dealer inventory levels, and higher retail rebate discounts, partially offset by a richer mix of higher-priced and higher-contented models. Within the MasterCraft segment, the decrease for the MasterCraft brand was partially offset by Aviara sales in 2020;

- a $9.4 million and a $7.5 million decrease for the Crest and NauticStar segments, respectively, primarily due to lower unit sales volume as we proactively decreased unit production in anticipation of potential impact on retail demand from the COVID-19 Pandemic, reduced unit production as we continued to right-size our dealer inventory levels, and higher retail rebate discounts.

Gross Profit and Gross Margin Percentage. Gross profit decreased $10.1 million, or 32.2 percent, to $21.3 million compared to $31.4 million for the prior-year period. The decrease was primarily driven by lower unit sales volume for each reportable segment, $1.5 million of COVID-19 Shutdown Costs, and higher retail rebate discounts. These decreases were partially offset by price increases for MasterCraft and Crest.

Gross margin percentage decreased primarily due to lower overhead absorption driven by lower unit sales volume for each reportable segment, $1.5 million of transitory COVID-19 Shutdown Costs, and higher retail rebate discounts.

Operating Expenses. Operating expenses increased $55.6 million, or 430.9 percent, to $68.5 million for the third quarter compared to $12.9 million for the prior-year period. This increase was primarily due to the $56.4 of Impairment Charges and was partially offset by lower variable compensation costs.

Interest Expense. Interest expense decreased $0.8 million, or 41.8 percent, as $16.0 million of voluntary prepayments on our term loans over the last twelve months have resulted in lower average debt balances, and lower effective interest rates during the quarter compared to the prior-year period.

Income Tax Expense (Benefit). Our consolidated interim effective income tax rate increased to 23.9 percent for the third quarter of 2020 from 23.1 percent for third quarter 2019, primarily due to favorable discrete adjustments for the second quarter of 2019, which reduced the interim effective tax rate for that period.

The table below presents our consolidated results of operations for the nine months ended:

	Nine Months Ended		2020 vs. 2019	
	March 29, 2020	March 31, 2019	Change	% Change
	(Dollars in thousands)			
Consolidated statements of operations:				
NET SALES	$ 311,979	$ 343,572	$ (31,593)	(9.2%)
COST OF SALES	244,030	261,939	(17,909)	(6.8%)
GROSS PROFIT	67,949	81,633	(13,684)	(16.8%)
OPERATING EXPENSES:				
Selling and marketing	13,340	13,757	(417)	(3.0%)
General and administrative	19,356	20,576	(1,220)	(5.9%)
Amortization of other intangible assets	2,961	2,504	457	18.3%
Goodwill and other intangible asset impairment	56,437	—	56,437	
Total operating expenses	92,094	36,837	55,257	150.0%
OPERATING INCOME (LOSS)	(24,145)	44,796	(68,941)	(153.9%)
OTHER EXPENSE:				
Interest expense	3,667	4,829	(1,162)	(24.1%)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(27,812)	39,967	(67,779)	(169.6%)
INCOME TAX EXPENSE (BENEFIT)	(6,601)	8,552	(15,153)	(177.2%)
NET INCOME (LOSS)	$ (21,211)	$ 31,415	$ (52,626)	(167.5%)
Additional financial and other data:				
Unit sales volume:				
MasterCraft	2,170	2,609	(439)	(16.8%)
NauticStar	1,046	1,391	(345)	(24.8%)
Crest(a)	1,407	1,403	4	0.3%
Consolidated unit sales volume	4,623	5,403	(780)	(14.4%)
Net sales:				
MasterCraft	$ 211,201	$ 232,062	$ (20,861)	(9.0%)
NauticStar	47,727	58,255	(10,528)	(18.1%)
Crest(a)	53,051	53,255	(204)	(0.4%)
Consolidated net sales	$ 311,979	$ 343,572	$ (31,593)	(9.2%)
Net sales per unit:				
MasterCraft	$ 97	$ 89	$ 8	9.0%
NauticStar	46	42	4	9.5%
Crest(a)	38	38	-	0.0%
Consolidated net sales per unit	67	64	3	4.7%
Gross margin percentage	21.8%	23.8%	-200 bpts	

(a) Crest was acquired on October 1, 2018.

Nine months Ended March 29, 2020 Compared to the Nine months Ended March 31, 2019

Net Sales. Net Sales for the nine months ended March 29, 2020 were $312.0 million, a decrease of $31.6 million, or 9.2 percent, compared to $343.6 million for the prior-year period. The decrease was primarily due to:

- a $20.9 million decrease for the MasterCraft segment, primarily due to lower unit sales volume for our MasterCraft brand as we continued to right-size our dealer inventory levels and proactively decreased unit production in March 2020 in response to the COVID-19 Pandemic, partially offset by a richer mix of higher-priced and higher-contented models and lower sales discounts. The lower sales discounts were primarily related to our Canadian dealers as the Canadian retaliatory import tariffs on boats, first imposed in July 2018, were rescinded in May 2019. Within the MasterCraft segment, the decrease for the MasterCraft brand was partially offset by Aviara sales in 2020;

- a $10.5 million decrease for the NauticStar segment primarily for the same reasons described above for the quarterly period as well as softness in the overall saltwater fishing category, partially offset by a shift to higher-priced models;
- a net $0.2 million decrease as the Crest acquisition in October 2018 added net sales of $18.9 million for the first quarter of 2020 which was offset by a total $19.1 million period-over-period decrease attributable to the second and third quarters of 2020 as we continued to right-size our dealer inventory levels and proactively decreased unit production in March 2020 in response to the COVID-19 Pandemic.

Gross Profit and Gross Margin Percentage. Gross profit decreased $13.7 million, or 16.8 percent, to $67.9 million compared to $81.6 million for the prior-year period. The decrease was primarily due to lower unit sales volume for each reportable segment and $1.5 million in COVID-19 Shutdown Costs. These decreases were partially offset by price increases for each reportable segment, $2.6 million of gross profit attributable to Crest's first quarter 2020 results and lower sales discounts attributable to the MasterCraft brand.

Gross margin percentage decreased primarily due to lower overhead absorption driven by lower unit sales volume for each reportable segment, $1.5 million of transitory COVID-19 Shutdown Costs, and the inclusion of Crest's first quarter 2020 results, as Crest generates a lower gross margin percentage than our MasterCraft segment.

Operating Expenses. Operating expenses increased $55.3 million, or 150.0 percent, to $92.1 million for the nine months ended March 29, 2020 compared to $36.8 million for the prior-year period. The increase was primarily driven by the $56.4 of Impairment Charges and the inclusion of Crest which added $2.2 million related to the first quarter 2020. This increase was partially offset by a $2.8 million decrease at our MasterCraft segment mainly due to lower acquisition-related costs, lower incentive compensation costs, and lower share-based compensation expense as a result of our CEO transition and lower estimated payouts related to our Performance Stock Units.

Interest Expense. Interest expense decreased $1.2 million, or 24.1 percent, primarily for the same reasons described above for the quarterly period.

Income Tax Expense (Benefit). Our consolidated interim effective income tax rate increased to 23.7 percent for the nine months ended March 29, 2020 from 21.4 percent for the nine months ended March 31, 2019, primarily due to favorable discrete adjustments for the nine months ended March 31, 2019, which reduced the interim effective tax rate for that period.

Non-GAAP Measures

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin

We define EBITDA as earnings before interest expense, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted to eliminate certain non-cash charges or other items that we do not consider to be indicative of our core and/or ongoing operations. For the periods presented herein, these adjustments include Goodwill and other intangible asset impairment, COVID-19 Shutdown Costs, Aviara (new brand) startup costs, transaction expenses associated with acquisitions and certain non-cash items including share-based compensation, and an acquisition-related inventory step-up adjustment. We define Adjusted EBITDA Margin as Adjusted EBITDA expressed as a percentage of Net sales.

Adjusted Net Income and Adjusted Net Income per share

We define Adjusted Net Income and Adjusted Net Income per share as net income adjusted to eliminate certain non-cash charges or other items that we do not consider to be indicative of our core and/or ongoing operations. For the periods presented herein, these adjustments include Goodwill and other intangible asset impairment, COVID-19 Shutdown Costs, Aviara (new brand) startup costs, transaction expenses associated with acquisitions, and certain non-cash items including other intangible asset amortization, share-based compensation, and an acquisition-related inventory step-up adjustment.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Net Income per share, which we refer to collectively as the Non-GAAP Measures, are not measures of net income or operating income as determined under accounting principles generally accepted in the United States, or U.S. GAAP. The Non-GAAP Measures are not measures of performance in accordance with U.S. GAAP and should not be considered as an alternative to net income, net income per share, or operating cash flows determined in accordance with U.S. GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of cash flow for management's discretionary use. We believe that the inclusion of the Non-GAAP Measures is appropriate to provide additional information to investors because securities analysts and investors use the Non-GAAP Measures to assess our operating performance across periods on a consistent basis and to evaluate the relative risk of an investment in our securities. We use Adjusted Net Income and Adjusted Net Income per share to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with U.S. GAAP, provides a more complete understanding of factors and trends affecting our business than does U.S. GAAP measures alone. We believe Adjusted Net Income and Adjusted Net Income per share assists our board of directors, management, investors, and other users of the financial statements in comparing our net income on a consistent basis from period to period because it removes non-cash items and items not indicative of our core and/or ongoing operations. The Non-GAAP Measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect our tax expense or any cash requirements to pay income taxes;
- Adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest payments on our indebtedness; and
- Adjusted Net Income, Adjusted Net Income per share, and Adjusted EBITDA do not reflect the impact of earnings or charges resulting from matters we do not consider to be indicative of our core and/or ongoing operations, but may nonetheless have a material impact on our results of operations.

In addition, because not all companies use identical calculations, our presentation of the Non-GAAP Measures may not be comparable to similarly titled measures of other companies, including companies in our industry.

The following table presents a reconciliation of net income (loss) as determined in accordance with U.S. GAAP to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	**March 31, 2019**	**March 29, 2020**	**March 31, 2019**
Net income (loss)	$ (36,713)	$ 12,763	$ (21,211)	$ 31,415
Income tax expense (benefit)	(11,550)	3,834	(6,601)	8,552
Interest expense	1,086	1,867	3,667	4,829
Depreciation and amortization	2,632	2,091	7,686	5,450
EBITDA	(44,545)	20,555	(16,459)	50,246
Goodwill and other intangible asset impairment(a)	56,437	-	56,437	-
COVID-19 Shutdown costs(b)	1,506	-	1,506	-
Aviara start-up costs(c)	398	937	1,213	1,700
Share-based compensation	159	371	703	1,159
Transaction expense(d)	-	27	-	2,044
Inventory step-up adjustment - acquisition related(e)	-	-	-	382
Adjusted EBITDA	$ 13,955	$ 21,890	$ 43,400	$ 55,531
Adjusted EBITDA Margin	13.6%	17.0%	13.9%	16.2%

(a) Represents non-cash charges recorded in the NauticStar and Crest segments for impairments of goodwill and trade name. See Note 6 in Notes to Condensed Consolidated Financial Statements for more information regarding these impairment charges.

(b) Represents costs associated with the COVID-19 pandemic. Costs include lump sum severance payments and temporary continuation of healthcare benefits for laid off employees.

(c) Represents start-up costs associated with Aviara, a completely new boat brand in an industry category previously not served by the Company. We began selling the brand's first two models, the AV32 and the AV36, during the first and second quarters of fiscal 2020, respectively. We expect to begin selling one additional model, the AV40, in first fiscal quarter of 2021. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models. Start-up costs presented for fiscal 2019 are related to the launch of the Aviara brand and the three initial Aviara models which had not yet begun selling. We expect to adjust EBITDA for Aviara start-up costs through fiscal 2020.

(d) Represents fees, expenses, and integration costs associated with our acquisition of Crest in fiscal 2019.

(e) Represents post-acquisition adjustment to cost of goods sold for the fair value step-up of inventory acquired, all of which was sold during fiscal 2019.

The following table presents a reconciliation of net income (loss) as determined in accordance with U.S. GAAP to Adjusted Net Income for the periods indicated:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
	(Dollars in thousands, except share and per share amounts)			
Net income (loss)	$ (36,713)	$ 12,763	$ (21,211)	$ 31,415
Income tax expense (benefit)	(11,550)	3,834	(6,601)	8,552
Goodwill and other intangible asset impairment(a)	56,437	-	56,437	-
COVID-19 Shutdown costs(b)	1,506	-	1,506	-
Amortization of acquisition intangibles	960	960	2,882	2,423
Aviara start-up costs(c)	398	937	1,213	1,700
Share-based compensation	159	371	703	1,159
Transaction expense(d)	-	27	-	2,044
Inventory step-up adjustment - acquisition related(e)	-	-	-	382
Adjusted Net Income before income taxes	11,197	18,892	34,929	47,675
Adjusted income tax expense(f)	2,575	4,251	8,034	10,727
Adjusted Net Income	$ 8,622	$ 14,641	$ 26,895	$ 36,948
Adjusted Net Income per share:				
Basic	$ 0.46	$ 0.78	$ 1.44	$ 1.98
Diluted	$ 0.46	$ 0.78	$ 1.42	$ 1.96
Weighted average shares used for the computation of:				
Basic Adjusted Net Income per share	18,739,480	18,657,719	18,731,338	18,652,289
Diluted Adjusted Net Income per share(g)	18,947,877	18,849,136	18,952,577	18,857,600

(a) Represents non-cash charges recorded in the NauticStar and Crest segments for impairments of goodwill and trade name. See Note 6 in Notes to Condensed Consolidated Financial Statements for more information regarding these impairment charges.

(b) Represents costs associated with the COVID-19 pandemic. Costs include lump sum severance payments and temporary continuation of healthcare benefits for laid off employees.

(c) Represents start-up costs associated with Aviara, a completely new boat brand in an industry category previously not served by the Company. We began selling the brand's first two models, the AV32 and the AV36, during the first and second quarters of fiscal 2020, respectively. We expect to begin selling one additional model, the AV40, in first fiscal quarter of 2021. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models. Start-up costs presented for fiscal 2019 are related to the launch of the Aviara brand and the three initial Aviara models which had not yet begun selling. We expect to adjust net income (loss) for Aviara start-up costs through fiscal 2020.

(d) Represents fees, expenses, and integration costs associated with our acquisition of Crest in fiscal 2019.

(e) Represents post-acquisition adjustment to cost of goods sold for the fair value step-up of inventory acquired, all of which was sold during fiscal 2019.

(f) Reflects income tax expense at an estimated annual effective income tax rate of 23.0% for fiscal 2020 and 22.5% for the prior-year period.

(g) See table below for reconciliation of weighted average shares used for computation of Basic earnings per share to weighted average shares used for Diluted Adjusted Net Income per share.

The following table presents the reconciliation of weighted average shares used for computation of Basic earnings per share to weighted average shares used for Diluted Adjusted Net income per share:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Weighted average shares used for computation of Basic earnings per share	18,739,480	18,657,719	18,731,338	18,652,289
Dilutive effect of outstanding stock options[(a)]	-	42,525	10,711	48,289
Dilutive effect of outstanding restricted share awards/units[(b)]	208,397	148,892	210,528	157,022
Weighted average shares used for the computation of Diluted Adjusted Net Income per share	18,947,877	18,849,136	18,952,577	18,857,600

(a) Represents the dilutive effect of stock options calculated using the treasury stock method, but instead of using the average market price, the market price on the last business day of the period is used.

(b) Represents the dilutive effect of restricted stock awards (“RSAs”) and performance stock units (“PSUs”) assuming the total outstanding awards/unit at each period end are fully dilutive.

The following table presents the reconciliation of net income (loss) per diluted share to Adjusted net income per diluted weighted average share for the periods presented:

	Three Months Ended		Nine Months Ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Net income (loss) per diluted share	$ (1.96)	$ 0.68	$ (1.13)	$ 1.67
Impact of adjustments:				
Income tax expense (benefit)	(0.62)	0.20	(0.35)	0.46
Goodwill and other intangible asset impairment[(a)]	3.01	-	3.01	-
COVID-19 Shutdown costs[(b)]	0.08	-	0.08	-
Amortization of acquisition intangibles	0.05	0.05	0.15	0.13
Aviara start-up costs[(c)]	0.02	0.05	0.06	0.09
Share-based compensation	0.01	0.02	0.04	0.06
Transaction expense[(d)]	-	-	-	0.11
Inventory step-up adjustment - acquisition related[(e)]	-	-	-	0.02
Adjusted Net Income per diluted share before income taxes	0.59	1.00	1.86	2.54
Impact of adjusted income tax expense on net income per diluted share before income taxes[(f)]	(0.14)	(0.22)	(0.43)	(0.58)
Impact of increased share count[(g)]	0.01	-	(0.01)	-
Adjusted Net Income per diluted weighted average share	$ 0.46	$ 0.78	$ 1.42	$ 1.96

(a) Represents non-cash charges recorded in the NauticStar and Crest segments for impairments of goodwill and trade name. See Note 6 in Notes to Condensed Consolidated Financial Statements for more information regarding these impairment charges.

(b) Represents costs associated with the COVID-19 pandemic. Costs include lump sum severance payments and temporary continuation of healthcare benefits for laid off employees.

(c) Represents start-up costs associated with Aviara, a completely new boat brand in an industry category previously not served by the Company. We began selling the brand’s first two models, the AV32 and the AV36, during the first and second quarters of fiscal 2020, respectively. We expect to begin selling one additional model, the AV40, in first fiscal quarter of 2021. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models. Start-up costs presented for fiscal 2019 are related to the launch of the Aviara brand and the three initial Aviara models which had not yet begun selling. We expect to adjust net income for Aviara start-up costs through fiscal 2020.

(d) Represents fees, expenses, and integration costs associated with our acquisition of Crest in fiscal 2019.

(e) Represents post-acquisition adjustment to cost of goods sold for the fair value step-up of inventory acquired, all of which was sold during fiscal 2019.

(f) Reflects income tax expense at an estimated annual effective income tax rate of 23.0% for fiscal 2020 and 22.5% for the prior-year period.

(g) Reflects the impact of increased share counts giving effect to the exchange of all RSAs, the vesting of all PSUs and for the dilutive effect of stock options included in outstanding shares and rounding.

Liquidity and Capital Resources

Our primary liquidity and capital resource needs are to finance working capital, fund capital expenditures, and service our debt. Our principal sources of funds are cash generated from operating activities and the refinancing and/or new issuance of long-term debt. On March 19, 2020, the Company drew $35.0 million on its revolving credit agreement as a precautionary measure in order to increase its cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 Pandemic. Additionally, on May 7, 2020, the Company entered into Amendment No. 3 to the Fourth Amended & Restated Credit and Guarantee Agreement (the “Amendment”) to strengthen our financial flexibility. Among other things, the changes effected by the Amendment provide temporary relief under our financial covenants. See Note 7 in Notes to Condensed Consolidated Financial Statements for more information regarding these changes. As of March 29, 2020, we had no remaining borrowing availability under the Revolving Credit Facility. We believe our cash balance and cash from operations, along with the ability to borrow, will be sufficient to provide for our liquidity and capital resource needs for at least the next 12 months. However, we are continuing to monitor the COVID-19 Pandemic and its impact on our business, customers and industry as a whole. See Part II, Item 1A. Risk Factors.

The following table summarizes our cash flows from operating, investing, and financing activities:

	Nine Months Ended		2020 vs. 2019	
	March 29, 2020	March 31, 2019	Change	% Change
	(Dollars in thousands)			
Total cash provided by (used in):				
Operating activities	$ 23,900	$ 39,552	$ (15,652)	(39.6%)
Investing activities	(13,576)	(92,111)	78,535	(85.3%)
Financing activities	24,841	50,111	(25,270)	(50.4%)
Net change in cash	$ 35,165	$ (2,448)	37,613	(1536.5%)

Operating Activities

Net cash provided by operating activities decreased primarily due to unfavorable working capital usage and lower operating income. Working capital is defined as Accounts receivable, Income tax receivable, Inventories, and Prepaid expenses and other current assets net of Accounts payable, Income tax payable, and Accrued expenses and other current liabilities as presented in the condensed consolidated balance sheets, excluding the impact of acquisitions and non-cash adjustments. Cash flows from working capital changes decreased $12.7 million primarily due to:

- a $7.4 million decrease related to Accrued expenses and other current liabilities largely from higher dealer incentive spending, timing of dealer incentive payments, and lower accrued payroll as a result of lower incentive compensation accruals;
- a $7.2 million decrease attributable to Inventories mainly as a result of the production slowdown in March 2020 in response to the COVID-19 Pandemic, growth in inventory balances as a result of the introduction of the Aviara brand, and an increase in certain raw materials as a precautionary measure in response to potential supply chain disruptions resulting from the COVID-19 Pandemic;
- a $4.3 million decrease related to Income tax receivable is primarily due to the decreased taxable income between the comparable periods;
- a $3.4 million decrease attributable to Accounts payable as a result of lower production levels in March 2020 as compared to March 2019 and the timing of vendor payments;
- partially offset by a $9.4 million increase related to Accounts receivable primarily due to lower sales volumes in March 2020 as compared to March 2019 and an improved collection cycle for Crest.

Investing Activities

Net cash used in investing activities decreased primarily due to the 2019 Crest acquisition for $81.7 million. Capital outlays during the nine months ended March 29, 2020 included the purchase of the Crest manufacturing facility, expansion activities, molds, and equipment. See Note 8 in Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding the Crest facility purchase.

Financing Activities

Net financing cash flow decreased primarily as the result of lower proceeds from the issuance of long-term debt. The Crest acquisition, completed during the second quarter of 2019, was funded using $80.0 million of proceeds from the issuance of long-term debt. On March 20, 2020, the Company borrowed all available funds under its Revolving Credit Facility, $35.0 million, precautionary measure in order to increase its cash position and preserve financial flexibility in light of the uncertainty in the global markets resulting from the COVID-19 Pandemic. During the nine months ended March 29, 2020, the Company made $10.6 million of principal payments on its term loans, including $6.0 million of voluntary prepayments.

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet financing arrangements as of March 29, 2020.

Contractual Obligations

During the first quarter of 2020, the Company elected to exercise its option to purchase the leased Crest manufacturing facility and on October 24, 2019 the purchase was completed. See Note 8 in Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding this purchase.

As a result of this purchase, the Company's Operating Lease Obligations, as presented in the Contractual Obligations table in our 2019 Annual Report on Form 10-K were impacted as follows:

- Payments due in Less than 1 year were reduced by $0.3 million,
- Payments due in 1-3 years were reduced by $0.7 million,
- Payments due in 4-5 years were reduced by $0.7 million, and
- Payments due in More than 5 years were reduced by $1.8 million.

Emerging Growth Company

We are an emerging growth company, as defined in the JOBS Act. For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding stockholder advisory "say-on-pay" votes on executive compensation.

The JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Pursuant to Section 107 of the JOBS Act, we have irrevocably chosen to opt out of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not "emerging growth companies."

We will continue to be an emerging growth company until the earliest to occur of (i) the last day of fiscal year during which we had total annual gross revenues of at least $1.07 billion, (ii) the last day of the fiscal year following the fifth anniversary of the closing of the IPO, June 30, 2021, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt, or (iv) the date on which we are deemed to be a "large accelerated filer," as defined under the Exchange Act.

Critical Accounting Policies

Except as noted below, as of March 29, 2020, there were no significant changes in or changes in the application of our critical accounting policies or estimation procedures from those presented in our 2019 Annual Report.

We review goodwill and other intangibles for impairment on a reporting unit basis annually during the fourth quarter of each year, using a measurement date of June 30th, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Reporting units for the purpose of goodwill impairment testing are the same as our operating segments (MasterCraft, NauticStar and Crest).

The Company calculates the fair value of its reporting units considering both the income approach and market approach. The income approach calculates the fair value of the reporting unit using a discounted cash flow approach. Internally forecasted future cash flows, which the Company believes reasonably approximate market participant assumptions, are discounted using a weighted average cost of capital ("Discount Rate") developed for each reporting unit. The Discount Rate is developed using market observable inputs, as well as considering the measure of risk related to the specific reporting unit's forecasted performance. Fair value under the market approach is determined for each unit by applying market multiples for comparable public companies to the unit's financial results. The key uncertainties in these calculations are the assumptions used in determining the reporting unit's forecasted future performance, including revenue growth and operating margins, as well as the perceived risk associated with those forecasts in determining the Discount Rate, along with selecting representative market multiples.

As discussed in Note 6 in our Notes to Unaudited Condensed Consolidated Financial Statements, we performed an interim impairment analysis related to goodwill and intangible assets in connection with our preparation of our financial statements for the three months ended March 29, 2020. Based on the results of this impairment analysis, which indicated the carrying values of our NauticStar and Crest reporting units were in excess of fair values, all goodwill recorded for these reporting units was impaired. We concluded there was no impairment of goodwill for MasterCraft. The fair value of the MasterCraft reporting unit exceeds the carrying value by approximately 165% as of the March 29, 2020 impairment test. If our assessment of the relevant facts and circumstances changes, or the actual performance falls short of the expected results, impairment charges may be required. Currently, the Company forecasts a modest recovery in the reporting units' results later in fiscal year 2021.

Indefinite-lived and definite-lived intangible assets acquired in October 2017 and October 2018 related to the NauticStar and Crest acquisitions, respectively, are derived from the value of the business acquired. A portion of these values were also impaired as a result of the March 29, 2020 impairment test. Given the recent impairment, there is no difference between the carrying value and fair value of the trade name intangibles. The key uncertainties in the fair value calculations for our indefinite-lived and definite-lived intangible assets, as applicable , are: assumptions used in developing internal revenue growth and customer expense forecasts, assumed customer attrition rates, and the selection of an appropriate royalty rate, as well as the perceived risk associated with those forecasts in determining the discount rate. In the event of significant adverse changes in these assumptions, we may have to recognize a non-cash impairment of intangibles, which could have a material adverse effect on our financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our 2019 Annual Report for a complete discussion of the Company's market risk. There have been no material changes in market risk from those disclosed therein.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 29, 2020.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 29, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Except as noted below, there have been no material changes to the risk factors disclosed in our 2019 Annual Report under “Part I, Item 1A. Risk Factors” or our Quarterly Report on Form 10-Q for the quarter ended December 29, 2019, which was filed with the SEC on February 5, 2020 under “Part II, Item 1A. Risk Factors.”

The COVID-19 pandemic has had, and may continue to have, certain negative impacts on our business and those of our customers, dealers and suppliers, and such impacts may have a material adverse effect on our operations and business.

The COVID-19 Pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our operations and business and those of our customers, dealers and suppliers. In response to the COVID-19 Pandemic, governmental authorities, including in many of the jurisdictions in which we operate, have taken measures to limit the spread of the outbreak, including mandatory business closures, travel restrictions, quarantines, declarations of states of emergency, “stay-at-home” or “shelter-in-place” orders and social distancing protocols, in addition to seeking voluntary facility closures and other restrictions. These actions could materially adversely affect our ability, and our customers’, dealers’ and suppliers’ ability, to adequately staff, manage and maintain our and their respective businesses. Furthermore, our future results of operations, cash-flows and liquidity could be adversely impacted by the COVID-19 Pandemic due to delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions, uncertain demand and additional goodwill and intangible asset impairment charges.

The COVID-19 Pandemic has impacted our supply chain for products we sell, particularly as a result of mandatory shutdowns in locations where our products are manufactured. It also possible that we experience significant disruptions to our supply chain in the U.S. as well as significant deterioration in macroeconomic factors that typically affect us, such as consumer spending and demand for our products. In addition, we have experienced and are likely to continue to experience disruptions in manufacturing and logistics due to the COVID-19 Pandemic, and we may experience disruptions in manufacturing or logistics in the future due to inconsistent and unanticipated order patterns, our inability to develop long-term relationships with key suppliers, other diseases or pandemics or unforeseen natural disasters or public health emergencies. Further, we may face obstacles and delays in re-opening our manufacturing facilities as we may have to hire and train a substantial number of new employees as some of the employees that we have temporarily laid off may seek or have found other employment.

The severity of the impact of the COVID-19 Pandemic on our business will depend on a number of factors, including, but not limited to, the duration, spread, severity and impact of the pandemic, the remedial actions and stimulus measures adopted by local and federal governments, the effects of the pandemic on our customers and suppliers, and to the extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted. The inherent uncertainty surrounding COVID-19, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, also makes it more challenging for our management to estimate the potential impact and the future performance of our business. Accordingly, the anticipated negative financial impact to our operating results cannot be reasonably estimated at this time, but could be material and last for an extended period of time.

ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

On May 7, 2020, the Company entered into Amendment No. 3 to the Fourth Amended and Restated Credit and Guaranty Agreement (the “Amendment”). The changes effected by the Amendment include the temporary removal and replacement of the Company’s financial covenants, the addition of a 50 basis point floor on LIBOR, modifications to the range of applicable LIBOR and prime interest rate margins, and a revision of the Total Net Leverage Ratio calculation. Under the Amendment, the Total Net Leverage Ratio covenant and Fixed Charge Coverage Ratio covenant of the Fourth Amended Credit Agreement are temporarily replaced with three separate covenants: (i) an Interest Coverage Ratio, (ii) a Minimum Liquidity threshold, and (iii) a Maximum Unfinanced Capital Expenditures limitation (the “Package of Financial Covenants”). The Package of Financial Covenants are in place through the quarter ended March 31, 2021, at which time the Total Net Leverage Ratio covenant and Fixed Charge Coverage Ratio covenant will be reinstated and the Package of Financial Covenants will sunset, and with the minimum liquidity covenant being tested on the last day of each fiscal month through May 31, 2021. In addition, the Total Net Leverage Ratio calculation was temporarily revised to include all unrestricted cash balances, without limitation, until June 30, 2021.

Pursuant to the Amendment, the applicable interest, at the Company’s option, is at either the prime rate plus an applicable margin ranging from 0.5% to 2.25% or at an adjusted LIBOR rate plus an applicable margin ranging from 1.5% to 3.25%, in each case based on the Company’s Total Net Leverage Ratio.

A copy of the Amendment is attached as Exhibit 10.1 hereto and incorporated herein by reference.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit No.	Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of MCBC Holdings, Inc.	10-K	001-37502	3.1	9/18/15	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of MasterCraft Boat Holdings, Inc.	10-Q	001-37502	3.2	11/9/18	
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of MasterCraft Boat Holdings, Inc.	8-K	001-37502	3.1	10/25/19	
3.4	Fourth Amended and Restated By-laws of MasterCraft Boat Holdings, Inc.	8-K	001-37502	3.2	10/25/19	
10.1	Amendment No. 3 to the Fourth Amended and Restated Credit and Guaranty Agreement					*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer					*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer					*
32.1	Section 1350 Certification of Chief Executive Officer					**
32.2	Section 1350 Certification of Chief Financial Officer					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

MASTERCRAFT BOAT HOLDINGS, INC.
(Registrant)

Date: May 8, 2020	By: /s/ FREDERICK A. BRIGHTBILL
	Frederick A. Brightbill
	Chief Executive Officer (Principal Executive Officer) and Director
Date: May 8, 2020	By: /s/ TIMOTHY M. OXLEY
	Timothy M. Oxley
	Chief Financial Officer (Principal Financial and Accounting Officer), Treasurer and Secretary

**AMENDMENT NO. 3 TO FOURTH
AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT**

THIS AMENDMENT NO. 3 TO FOURTH AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT (this "*Amendment*"), dated as of **May 7, 2020** (the "*Amendment No. 3 Effective Date*"), is by and among **MASTERCRAFT BOAT COMPANY, LLC**, a Delaware limited liability company ("*MasterCraft*"), **MASTERCRAFT SERVICES, LLC**, a Tennessee limited liability company ("*Services*"), **MASTERCRAFT INTERNATIONAL SALES ADMINISTRATION, INC.**, a Delaware corporation ("*Sales Administration*"), **NAUTIC STAR, LLC**, a Mississippi limited liability company ("*Nautic*"), **NS TRANSPORT, LLC**, a Mississippi limited liability company ("*NS Transport*"), and **CREST MARINE LLC,** a Michigan limited liability company ("*Crest*") (collectively, "*Borrowers*" and, individually, each a "*Borrower*"), **MASTERCRAFT BOAT HOLDINGS, INC.**, a Delaware corporation (f/k/a MCBC Holdings, Inc., "*Holdings*"), as a Guarantor, the various institutions named on the signature pages to this Amendment as party to this Amendment, as Lenders (the "*Lenders*"), and **FIFTH THIRD BANK**, **NATIONAL ASSOCIATION**, a national banking association, as Agent and L/C Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement described below.

W I T N E S S E T H

WHEREAS, the Borrowers, Holdings, the Lenders and the Agent are parties to that certain Fourth Amended and Restated Credit and Guaranty Agreement, dated as of October 1, 2018 (as amended by that certain (i) Amendment No. 1 dated as of November 8, 2018, and (ii) Amendment No. 2 dated as of July 24, 2019, and as may be further amended, modified, extended, restated, replaced, or supplemented from time to time, the "*Credit Agreement*"); and

WHEREAS, the Credit Parties and the Required Lenders desire to amend certain provisions of the Credit Agreement, as set forth in this Amendment.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I
AMENDMENT TO CREDIT AGREEMENT**

1.1 <u>**Amendment to Section 1.1 (Definitions- Amended).**</u> Section 1.1 of the Credit Agreement is hereby amended by amending the following defined terms as follows:

(a) "*Adjusted LIBOR*" shall be amended and restated in its entirety to read as follows: "means, for any Borrowing of Eurodollar Loans, the greater of (a) a rate per annum equal to one half of one percent (0.50%), and (b) a rate per annum equal to the quotient of (i) LIBOR, divided by (ii) one *minus* the Reserve Percentage."

(b) "*Agent*" shall be amended and restated in its entirety to read as follows: "means Fifth Third Bank, National Association, a national banking association (f/k/a Fifth Third

Bank, an Ohio banking corporation), in its capacity as administrative agent for itself and the other Lenders and any successor pursuant to Section 9.7 hereof."

(c) "*Applicable Margin*" shall be amended by amending and restating the schedule and first sentence of the immediately following paragraph therein to read as follows:

Level	Total net Leverage Ratio for Such Pricing Date	Applicable Margin for Eurodollar Loans:	Applicable Margin for Base Rate Loans:	Applicable Margin for Commitment Fee:
I	***Greater than or equal to 4.00 to 1.0***	***3.250%***	***2.250%***	***0.450%***
II	***Less than 4.00 to 1.0, but greater than or equal to 3.50 to 1.0***	***3.000%***	***2.000%***	***0.450%***
III	***Less than 3.50 to 1.0, but greater than or equal to 3.00 to 1.0***	***2.750%***	***1.750%***	***0.450%***
IV	***Less than 3.00 to 1.0, but greater than or equal to 2.50 to 1.0***	***2.500%***	***1.500%***	***0.450%***
V	***Less than 2.50 to 1.0, but greater than or equal to 2.00 to 1.0***	***2.250%***	***1.250%***	***0.400%***
VI	***Less than 2.00 to 1.0, but greater than or equal to 1.50 to 1.0***	***2.000%***	***1.000%***	***0.350%***
VII	***Less than 1.50 to 1.0, but greater than or equal to 1.00 to 1.0***	***1.750%***	***0.750%***	***0.300%***
VIII	***Less than 1.00 to 1.0***	***1.500%***	***0.500%***	***0.250%***

For purposes hereof, the term "*Pricing Date*" means, for any fiscal quarter of the Credit Parties and their Subsidiaries ending on or after June 30, 2020, the date on which the Agent is in receipt of Borrowers' and their Subsidiaries' most recent financial statements for the fiscal quarter then ended, pursuant to Section 6.1 hereof; and the Applicable Margin shall be set at Level I from the Amendment No. 3 Effective Date through the June 30, 2020 Pricing Date.

(d) "*EBITDA*" shall be amended by amending and restating clause "(h)" set forth therein to read as follows: "(h) severance costs and overhead expenses incurred in connection with the COVID-19 outbreak, in an aggregate amount not to exceed $2,000,000, and all other extraordinary or non-recurring expenses and losses for such period in an amount reasonably acceptable to Agent,"

(e) "*Fifth Third*" shall be amended and restated in its entirety to read as follows: "means Fifth Third Bank, National Association, a national banking association (f/k/a Fifth Third Bank, an Ohio banking corporation), in its individual capacity and any successor thereof.

(f) "*Mortgages*" shall be amended and restated in its entirety to read as follows: "means, collectively, (a) each Mortgage and Security Agreement with Assignment of Rents and Open-End Mortgage or Deed of Trust and Security Agreement with Assignment of Rents between any Credit Party and the Agent relating to such Credit Party's fee real property, fixtures and interests in real property commonly known as (i) 100 Cherokee Cove Drive, Monroe County, Vonore Tennessee 37885, (ii) 500 Waterway Drive , Amory, MS 38821, and (iii) 2170 South M-52, Owosso, Michigan 48867 (formerly covered by a leasehold mortgage prior to the purchase of this real property by Crest in October 2019), and (b) any other mortgages or deeds of trust or leasehold mortgages delivered to the Agent pursuant to Section 4.2 hereof, as the same may be amended, modified, supplemented or restated from time to time."

(g) "*Total Net Leverage Ratio*" shall be amended and restated in its entirety to read as follows: "means, as of the date of determination thereof, the ratio of (a) Total Funded Debt minus Unrestricted Cash (in an aggregate amount not to exceed $20,000,000 for all periods of calculation from and after June 30, 2021), to (b) EBITDA for the period of four fiscal quarters then ended."

1.2 **Amendment to Section 1.1 (Definitions- New).** Section 1.1 of the Credit Agreement is hereby amended by adding the following defined terms, in alphabetical order, to such Section:

(a) "*Amendment No. 3*" means that certain Amendment No. 3 to this Agreement dated as of the Amendment No. 3 Effective Date".

(b) "*Amendment No. 3 Effective Date*" means May 1, 2020.

(c) "*Governmental Assistance*" is defined in Section 6.7(f) hereof.

(d) "*Interest Coverage Ratio*" is defined in Section 6.22 (c)(ii) hereof.

(e) "*Limited Covenant Relief Period*" is defined in Section 6.22 (c)(i) hereof.

(f) "*Liquidity*" is defined in Section 6.22 (c)(iii) hereof

1.3 **<u>Amendment to Section 2.8 (b)(iii) (Mandatory Prepayments).</u>** Section 2.8(b)(iii) of the Credit Agreement is hereby amended by adding the following as a new last sentence at the end of such Section: "Notwithstanding the foregoing, in connection with Amendment No. 3, no Excess Cash Flow payment shall be due and payable with respect to the fiscal year ending June 30, 2020."

1.4 **<u>Amendment to Section 6.1 (Information Covenants).</u>** Section 6.1(a) of the Credit Agreement is hereby amended by replacing *"[Reserved]"* with the following:

> "(a) *Monthly Financial Reports during Limited Covenant Relief Period; Compliance Certificates for Monthly and Quarterly Replacement Financial Covenants*. During the Limited Covenant Relief Period: (i) within thirty (30) days after the end of each fiscal month, from and after the Amendment No. 3 Effective Date commencing May 31 2020 and through June 30, 2021, the Credit Parties shall deliver to Agent and each Lender, (A) the consolidated and consolidating balance sheet of the Credit Parties and their Subsidiaries as at the end of such fiscal month and the related consolidated and consolidating statements of income and retained earnings and of cash flows for such fiscal month and for the elapsed portion of the fiscal year-to-date period then ended, each in reasonable detail, prepared by the Credit Parties in accordance with GAAP, in all material respects (subject to year-end audit adjustments, the absence of footnotes and treatment of research and development) setting forth comparative figures for the corresponding fiscal month in the prior fiscal year and comparable budgeted figures for such fiscal month, all of which shall be certified by the chief financial officer or other officer of the Credit Parties acceptable to the Agent that they fairly present in all material respects in accordance with GAAP the financial condition of the Credit Parties and their Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes, and (B) a Compliance Certificate/ Limited Covenant Relief Period, in the form attached to Amendment No. 3 as <u>Exhibit E-1</u>, with a detailed calculation and attestation of the Minimum Liquidity covenant test set forth in Section 6.22(c)(iii) as of such fiscal month end; and (ii) within thirty (30) days after the end of each fiscal quarter of the Credit Parties and their Subsidiaries, commencing for the fiscal quarter ending June 30, 2020 and continuing through March 31, 2021, a Compliance Certificate/ Limited Covenant Relief Period, in the form attached to Amendment No. 3 as <u>Exhibit E-1</u>, with a detailed calculation and attestation of the Interest Coverage Ratio set forth in Section 6.22(c)(ii), and the Maximum Unfinanced Capital Expenditures limitation set forth in Section 6.22(c)(iv), each as of the last day of such fiscal quarter.

1.5 **<u>Amendment to Section 6.11 (Indebtedness).</u>** Section 6.11(h) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "(h) unsecured Indebtedness of Borrowers and their Subsidiaries not otherwise permitted by this Section in an amount not to exceed $14,000,000 in the aggregate at any one time outstanding, and any Permitted Refinancing Indebtedness with respect thereto,

including, without limitation, (i) Floorplan First Loss Guaranty Obligations and other unsecured Indebtedness (other than Governmental Assistance as provided in clause "(ii)" below), in an amount not to exceed $4,000,000 in the aggregate at any one time outstanding, and (ii) Indebtedness in the form of any unsecured loan or financial assistance received by any Borrower from any federal, state or local government program enacted in response to the COVID-19 outbreak ("*Governmental Assistance*"), in form and substance acceptable to Agent; provided that (A) Borrowers shall promptly provide written notice thereof to Agent, (B) Borrowers covenant and agree that the proceeds and benefits of any Governmental Assistance received by any Borrowers shall be used solely to support the operations and, to the extent not prohibited by the applicable Governmental Authority, such proceeds shall be deemed to be part of the Collateral for the Obligations, and each Borrower hereby grants to Agent, for the benefit of the Lenders, a lien and security interest therein, (C) in the event that any such Governmental Assistance is in the form of a loan that can be forgiven, to the extent that Borrowers or its Subsidiaries are able to qualify for such forgiveness, Borrowers shall comply with all requirements to ensure such loan is forgiven in accordance with the applicable program, in each case to the extent the terms and methods of such satisfaction are acceptable to Agent, and (D) Borrowers shall execute and deliver to Agent such additional amendments, documents and instruments as may be reasonably required in connection with such Governmental Assistance and the provisions of this Section 6.11(h).

1.6 **Amendment to Section 6.13 (Consolidation, Merger, Sale of Assets, etc).** Section 6.13 of the Credit Agreement is hereby amended by adding the following as a new not lettered paragraph at the end of such Section:

"Notwithstanding the foregoing provisions of this Section 6.13 or any other provisions in this Agreement or in any of the other Loan Documents, in connection with Amendment No. 3, no Credit Party shall, during the Limited Covenant Relief Period from and after the Amendment No. 3 Effective Date through June 30, 2021, make enter into or agree to enter into (i) any Acquisition or Permitted Acquisition and mergers or consolidations in connection with any Acquisition or Permitted Acquisition, and (ii) the sale, transfer, lease, or other disposition of Property of any Credit Party or any Subsidiary not otherwise permitted under this Agreement (including any disposition of Property as part of a sale and leaseback transaction and any Equity Interests of any Subsidiary and Accounts)."

1.7 **Amendment to Section 6.15 (Restricted Payments).** Section 6.15 of the Credit Agreement is hereby amended by adding the following as a new not lettered paragraph at the end of such Section:

"Notwithstanding the foregoing provisions of this Section 6.15 or any other provisions in this Agreement or in any of the other Loan Documents, in connection with Amendment No. 3, no Restricted Payments shall be made by any Credit Party during the Limited Covenant Relief Period from and after the Amendment No. 3 Effective Date through June 30, 2021, except for Restricted Payments permitted under Subsections 6.15(a) and (c)."

1.8 **<u>Amendment to Section 6.22 (Financial Covenants).</u>** Section 6.22 of the Credit Agreement is hereby amended by adding the following as a new subsection "(c)" at the end of such Section:

"(c) *Limited Covenant Relief Period; Replacement Financial Covenants*.

(i) *Limited Covenant Relief Period*. Notwithstanding the provisions of Section 6.22 (Financial Covenants) to the contrary, Borrower's failure to satisfy the financial covenant set forth in Section 6.22(a) (*Total Net Leverage Ratio*) and Section 6.22(b) (*Fixed Charge Coverage Ratio)* for the quarterly test periods ending June 30, 2020, September 30, 2020, and December 31, 2020 and March 31, 2021 shall not constitute an Event of Default (each covenant compliance period addressed above in this Section, a *"Limited Covenant Relief Period"*). For the avoidance of doubt, such accommodations shall apply only during the applicable Limited Covenant Relief Period, and from and after the end of the Limited Covenant Relief Period and commencing for the calendar quarter ending June 30, 2021, Borrower shall be required to comply with the financial covenants set forth in Section 6.22(a) (*Total Net Leverage Ratio*) and Section 6.22(b) (*Fixed Charge Coverage Ratio)*, and failure to do so shall constitute an Event of Default in accordance with the terms of this Agreement;

(ii) *Minimum Interest Coverage Ratio during Limited Covenant Relief Period*. Borrowers shall not permit, during the Limited Covenant Relief Period, the Interest Coverage Ratio, as of the last day of each fiscal quarter of the Credit Parties and their Subsidiaries, commencing as of June 30, 2020 and continuing through March 31, 2021, to be less than 3.00 to 1.00 for the period of four fiscal quarters ending on such date. As used herein, "*Interest Coverage Ratio*" means, with respect to the Credit Parties and their Subsidiaries, on a consolidated basis, for the applicable period, the ratio of EBITDA to Interest Expense**;**

(iii) *Minimum Liquidity during Limited Covenant Relief Period*. Borrowers shall maintain, at all times during the Limited Covenant Relief Period, Liquidity of no less than $17,500,000, as tested on the last day of each fiscal month, commencing May 31, 2020 and continuing through May 31, 2021. As used herein, "*Liquidity*" means, with respect to the Borrowers, the sum of Unrestricted Cash plus Revolving Loan Availability; and

(iv) *Maximum Unfinanced Capital Expenditures during the Limited Covenant Relief Period*. Borrowers shall not make or incur, during the Limited Covenant Relief Period, any unfinanced Capital Expenditures in excess of an aggregate amount of Six Million Dollars ($6,000,000), on a cumulative basis during the Limited Covenant Relief Period, as tested as of the last day of each calendar quarter, commencing June 30, 2020 and continuing through March 31, 2021.

ARTICLE II
CONDITIONS TO EFFECTIVENESS

2.1 **Amendment Fee; Fee Letter.** In consideration of the financial and other accommodations set forth in Amendment No. 3, Borrowers shall pay (i) to Agent, for the ratable benefit of the Lenders, an amendment and modification fee (the "*Amendment No. 3 Fee*") in the amount of $206,021.57, which Amendment No. 3 Fee shall be fully earned as of the Amendment No. 3 Effective Date, non-refundable, and shall be charged to operating account of the Borrowers maintained with Agent as of the Amendment No. 3 Effective Date; and (ii) to Fifth Third the fees set forth in the Fifth Third Fee Letter (Amendment No. 3) with Agent.

2.2 **Closing Conditions**. This Amendment shall become effective as of the Amendment No. 3 Effective Date, but only upon receipt by Agent of each of the following, each in form and substance satisfactory to Agent:

(a) one or more fully executed counterparts of this Amendment from each of the Credit Parties and the Required Lenders;

(b) the payment by the Borrowers of the Amendment No. 3 Fee and the fees set forth in the Fifth Third Fee Letter (Amendment No. 3); and

(c) such other documents, instruments and certificates as may be reasonably required by Agent or any Lender.

ARTICLE III
MISCELLANEOUS

3.1 **Amended Terms.** On and after the Amendment No. 3 Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2 **Representations and Warranties of Credit Parties.** Each of the Credit Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment.

(d) The representations and warranties set forth in Section 5 of the Credit Agreement are true and correct in all material respects (except those that are qualified by materiality or a Material Adverse Effect, which representations and warranties are true and correct in all respects) as of the date hereof (except for those which expressly relate to an earlier date).

(e) After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(f) The Collateral Documents continue to create a valid security interest in, and Lien upon, the Collateral, in favor of the Agent, for the benefit of the Agent and the Lenders, which security interests and Liens are perfected in accordance with the terms of the Collateral Documents and prior to all Liens other than Permitted Liens.

3.3 **Reaffirmation of Obligations**.

(a) Each Credit Party hereby ratifies the Credit Agreement and all other Loan Documents and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement and all other Loan Documents applicable to it and (b) that it is responsible for the observance and full performance of its respective Obligations.

(b) Each of the Guarantors hereby acknowledge and consent to all of the terms and conditions of this Amendment and agree that this Amendment does not operate to reduce or discharge the Guarantors' obligations under the Credit Agreement, as amended hereby, or the other Loan Documents.

(c) Each Credit Party further acknowledges and agrees that such Credit Party has no claims, counterclaims, offsets, or defenses to the Loan Documents and the performance of its obligations thereunder or if such Credit Party did have any such claims, counterclaims, offsets or defenses to the Loan Documents or any transaction related to the Loan Documents, the same are hereby waived, relinquished and released in consideration of the Lenders' execution and delivery of this Amendment.

(d) Each Credit Party hereby confirms and agrees that notwithstanding the effectiveness of this Amendment, the Collateral Documents to which each of the undersigned is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the Obligations.

3.4 **Loan Document.** This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

3.5 **Expenses.** The Borrower agrees to pay all reasonable costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Agent's legal counsel.

3.6 **Further Assurances.** The Credit Parties agree to promptly take such action, upon the request of the Agent, as is necessary to carry out the intent of this Amendment.

3.7 **Entirety.** This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

3.8 **Counterparts; Telecopy.** This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered upon request of Agent.

3.9 **GOVERNING LAW. THIS AMENDMENT, AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF ILLINOIS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAW PROVISIONS) OF THE STATE OF ILLINOIS.**

3.10 **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.11 **Submission to Jurisdiction; Waiver of Jury Trial.** The submission to jurisdiction and waiver of jury trial provisions set forth in Section 10.20 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT E-1

COMPLIANCE CERTIFICATE
LIMITED COVENANT RELIEF PERIOD

To: Fifth Third Bank, as Agent under, and the Lenders party to, the Credit Agreement described below

This Compliance Certificate is furnished to the Agent and the Lenders pursuant to that certain **Amendment No. 3 to Fourth Amended and Restated Credit and Guaranty Agreement, dated as of May 1, 2020** (together with the Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in Amendment No. 3 and in the Credit Agreement.

The Undersigned hereby certifies, solely in his/her capacity as an officer of Borrower Representative, and not individually that:

1. I am the duly elected _____________ of the undersigned Borrower Representative;

2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Credit Parties and their Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below;

4. The financial statements required by Section 6.1 (a) (*Monthly Financial Reports during Limited Covenant Relief Period*) of the Credit Agreement and being furnished to you concurrently with this Compliance Certificate are true, correct and complete in all material respects as of the date and for the periods covered thereby;

5. The representations and warranties of Borrower contained in Section 5 of the Credit Agreement and in the other Loan Documents are true and correct in all material respects (provided that if any representation or warranty is by its terms qualified by concepts of materiality, such representation and warranty is true and correct in all respects) as though made on and as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects (provided that if any representation or warranty is by its terms qualified by concepts of materiality, such representation and warranty is true and correct in all respects) as of such earlier date);

6. The Schedule I attached by Borrowers hereto sets forth financial data and computations evidencing Borrower's compliance with the following financial covenants applicable pursuant to Amendment No. 3 and set forth in Section 6.22(c) of the Credit Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Credit Agreement:

(i) *Minimum Interest Coverage Ratio during Limited Covenant Relief Period*. Borrowers shall not permit, during the Limited Covenant Relief Period, the Interest Coverage Ratio, as of the last day of each fiscal quarter of the Credit Parties and their Subsidiaries, commencing as of June 30, 2020, to be less than 3.00 to 1.00 for the period of four fiscal quarters ending on such date. As used herein, "*Interest Coverage Ratio*" means, with respect to the Credit Parties and their Subsidiaries, on a consolidated basis, for the applicable period, the ratio of EBITDA to Interest Expense**.**

-The Credit Parties are in compliance (circle yes or no) yes/no

(ii) *Minimum Liquidity during Limited Covenant Relief Period*. Borrowers shall maintain, at all times during the Limited Covenant Relief Period, Liquidity of no less than $17,500,000, as tested on the last day of each fiscal month, commencing May 31, 2020. As used herein, "*Liquidity*" means, with respect to the Borrowers, the sum of Unrestricted Cash plus Revolving Loan Availability.

-The Borrowers are in compliance (circle yes or no) yes/no

(iii)*Maximum Unfinanced Capital Expenditures during the Limited Covenant Relief Period*. Borrowers shall not make or incur, during the Limited Covenant Relief Period, any unfinanced Capital Expenditures in excess of an aggregate amount of Six Million Dollars ($6,000,000), on a cumulative basis during the Limited Covenant Relief Period, as tested as of the last day of each calendar quarter, commencing June 30, 2020.

-The Borrowers are in compliance (circle yes or no) yes/no

7. The Schedule II attached by Borrowers hereto sets forth a comparison of current monthly financials against the budget for such period, as required by Sections 6.1(a) of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Credit parties have taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I and Schedule II hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ______ day of __________________, 20___. Under no circumstances shall the undersigned officer of Borrower Representative have any personal liability hereunder.

MASTERCRAFT BOAT COMPANY, LLC, a Delaware limited liability company,
as Borrower Representative

By
Name
Title

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWERS:

MASTERCRAFT BOAT COMPANY, LLC, a Delaware limited liability company

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

MASTERCRAFT SERVICES, LLC, a Tennessee limited liability company

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

MASTERCRAFT INTERNATIONAL SALES ADMINISTRATION, INC., a Delaware corporation

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

NAUTIC STAR, LLC, a Mississippi limited liability Company

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

BORROWERS:

NS TRANSPORT, LLC, a Mississippi limited liability Company

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

CREST MARINE LLC, a Michigan limited liability company

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

HOLDINGS:

MASTERCRAFT BOAT HOLDINGS, INC. (f/k/a MCBC HOLDINGS, INC.), a Delaware corporation

By/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer & Secretary

AGENT AND LENDER:

FIFTH THIRD BANK, NATIONAL ASSOCIATION, a national banking association, as a Lender, as L/C Issuer, and as Agent

By:/s/ Jonathan Godfrey
Authorized Signatory

LENDER:

BANK OF AMERICA, N.A.,
as a Lender

By/s/ Andy Martin, SVP
Authorized Signatory

(Signature Page to Amendment No. 3 to Fourth Amended and Restated Credit and Guaranty Agreement)

LENDER:

JPMORGAN CHASE BANK, N.A.,
as a Lender

By/s/ Brandon Abney
Authorized Signatory

LENDER:

TRUIST BANK as successor by merger to SUNTRUST BANK as a Lender

By/s/ James Ford
James Ford
Managing Director

(Signature Page to Amendment No. 3 to Fourth Amended and Restated Credit and Guaranty Agreement)

LENDER:

REGIONS BANK
as a Lender

By/s/ Brand Hosford
Authorized Signatory

(Signature Page to Amendment No. 3 to Fourth Amended and Restated Credit and Guaranty Agreement)

LENDER:

UNITED COMMUNITY BANK
as a Lender

By/s/ Jeff Wilson
Authorized Signatory

VP/#36415215.9

Exhibit 31.1

CERTIFICATIONS

I, Frederick A. Brightbill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2020 of MasterCraft Boat Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020

/s/ FREDERICK A. BRIGHTBILL
Frederick A. Brightbill
Chief Executive Officer
(Principal Executive Officer) and Director

Exhibit 31.2

CERTIFICATIONS

I, Timothy M. Oxley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2020 of MasterCraft Boat Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2020

/s/ TIMOTHY M. OXLEY
Timothy M. Oxley
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frederick A. Brightbill, Interim Chief Executive Officer of MasterCraft Boat Holdings, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, 2020

/s/ FREDERICK A. BRIGHTBILL
Frederick A. Brightbill
Chief Executive Officer
(Principal Executive Officer) and Director

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy M. Oxley, Chief Financial Officer of MasterCraft Boat Holdings, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, 2020

/s/ TIMOTHY M. OXLEY
Timothy M. Oxley
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)