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: October 4, 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 Exchange Act). ☐ Yes ☑ No

As of November 9, 2020, there were 18,952,338 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, 2020, filed with the Securities and Exchange Commission (“SEC”) on September 11, 2020 (our “2020 Annual 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 per share amounts)

	Three Months Ended	
	October 4, 2020	September 29, 2019
NET SALES	$ 103,745	$ 109,789
COST OF SALES	77,515	84,256
GROSS PROFIT	26,230	25,533
OPERATING EXPENSES:		
Selling and marketing	2,907	4,064
General and administrative	8,932	7,785
Amortization of other intangible assets	987	987
Total operating expenses	12,826	12,836
OPERATING INCOME	13,404	12,697
OTHER EXPENSE:		
Interest expense	1,019	1,344
INCOME BEFORE INCOME TAX EXPENSE	12,385	11,353
INCOME TAX EXPENSE	2,818	2,730
NET INCOME	$ 9,567	$ 8,623
EARNINGS PER SHARE:		
Basic	$ 0.51	$ 0.46
Diluted	$ 0.51	$ 0.46
WEIGHTED AVERAGE SHARES USED FOR COMPUTATION OF:		
Basic earnings per share	18,774,336	18,723,845
Diluted earnings per share	18,866,826	18,770,756

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 per share amounts)

	October 4, 2020	June 30, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,858	$ 16,319
Accounts receivable, net of allowances of $330 and $247, respectively	12,993	6,145
Income tax receivable	2,804	4,924
Inventories, net (Note 3)	32,601	25,636
Prepaid expenses and other current assets	3,644	3,719
Total current assets	60,900	56,743
Property, plant and equipment, net	40,659	40,481
Goodwill (Note 4)	29,593	29,593
Other intangible assets, net (Note 4)	62,861	63,849
Deferred income taxes	16,121	16,080
Deferred debt issuance costs, net	392	425
Other long-term assets	694	752
Total assets	$ 211,220	$ 207,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 15,675	$ 10,510
Accrued expenses and other current liabilities (Note 5)	35,891	35,985
Current portion of long-term debt, net of unamortized debt issuance costs (Note 6)	8,943	8,932
Total current liabilities	60,509	55,427
Long-term debt, net of unamortized debt issuance costs (Note 6)	87,426	99,666
Unrecognized tax positions	4,141	3,683
Other long-term liabilities	221	277
Total liabilities	152,297	159,053
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value per share — authorized, 100,000,000 shares; issued and outstanding, 18,952,338 shares at October 4, 2020 and 18,871,637 shares at June 30, 2020	189	189
Additional paid-in capital	116,668	116,182
Accumulated deficit	(57,934)	(67,501)
Total stockholders' equity	58,923	48,870
Total liabilities and stockholders' equity	$ 211,220	$ 207,923

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)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at June 30, 2020	18,871,637	$ 189	$ 116,182	$ (67,501)	$ 48,870
Share-based compensation activity	80,701	—	486	—	486
Net income	—	—	—	9,567	9,567
Balance at October 4, 2020	18,952,338	$ 189	$ 116,668	$ (57,934)	$ 58,923

	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

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)

	Three Months Ended	
	October 4, 2020	September 29, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,567	$ 8,623
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,739	2,371
Share-based compensation	640	512
Unrecognized tax benefits	458	207
Amortization of debt issuance costs	159	142
Changes in certain operating assets and liabilities	(6,737)	(6,934)
Other, net	546	321
Net cash provided by operating activities	7,372	5,242
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,042)	(4,328)
Proceeds from disposal of property, plant and equipment	—	14
Net cash used in investing activities	(2,042)	(4,314)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on revolving credit facility	(10,000)	—
Principal payments on long-term debt	(2,355)	—
Principal payments on insurance premium financing	(282)	—
Cash paid for withholding taxes on vested stock	(154)	(343)
Net cash provided by financing activities	(12,791)	(343)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,461)	585
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	16,319	5,826
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 8,858	$ 6,411
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 828	$ 835
Cash payments for income taxes	280	3,501
SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures in accounts payable and accrued expenses	242	321

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."

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, 2020 and, in the opinion of management, reflect all adjustments considered necessary to present fairly the Company's financial position as of October 4, 2020, its results of operations for the three months ended October 4, 2020 and September 29, 2019, its cash flows for the three months ended October 4, 2020 and September 29, 2019, and its statements of stockholders' equity for the three months ended October 4, 2020 and September 29, 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 SEC for financial information have been condensed or omitted pursuant to such rules and regulations. The June 30, 2020 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 2020 Annual Report on Form 10-K.

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 — To balance wholesale production with the then anticipated impacts to retail demand caused by the economic impacts of the COVID-19 pandemic, the Company reduced production in February 2020 and, in late March 2020, temporarily suspended manufacturing operations at all of the Company's facilities to protect the health of employees and to comply with governmental mandates. The Company resumed operations at reduced production levels at our manufacturing facilities by mid-May 2020 and the Company continues to ramp up production.

The Company remains subject to risks and uncertainties as a result of the COVID-19 pandemic (including the possibility of a second wave of infections). 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 continues to evolve in many countries, including the United States and other markets where the Company operates. Capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it has caused economic downturns or recessions in the U.S. and other markets where the Company operates. Such economic disruption could have a material adverse effect on the Company's business as retail demand for our products could decline which would in-turn reduce wholesale demand from the Company's dealers. Policymakers around the world have responded and may continue to respond with fiscal and monetary policy actions to support the economy. The magnitude and overall effectiveness of these actions remain uncertain.

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 consumers, dealers, suppliers and workforce, 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 or workforce disruptions and uncertain demand, impairment charges, and the impact of any initiatives that the Company may undertake to address financial and operational challenges faced by it and its consumers, dealers, and suppliers. As of the date of issuance of these 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.

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 three months ended October 4, 2020 as compared with the significant accounting policies described in the Company's audited consolidated financial statements for the fiscal year ended June 30, 2020.

New Accounting Pronouncements Issued But Not Yet Adopted

Income Taxes **—** In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (Topic 740). This ASU simplifies the accounting for income taxes by, among other things, eliminating certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for transactions outside of business combination that result in a step-up in the tax basis of goodwill. The transition requirements are primarily prospective, and the effective date is for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Recently Adopted 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 Company adopted this guidance for its fiscal year beginning July 1, 2020. The adoption of this standard did not have an impact on the consolidated financial statements.

Current Expected Credit Loss — In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which updated the ASC to use an impairment model that is based on expected losses rather than incurred losses. The Company adopted this guidance for its fiscal year beginning July 1, 2020. The adoption of this standard did not have an impact on the consolidated financial statements.

2. REVENUE RECOGNITION

The following table presents the Company's revenue by major product category for each reportable segment.

	Three Months Ended October 4, 2020				Three Months Ended September 29, 2019			
	MasterCraft	**NauticStar**	**Crest**	**Total**	**MasterCraft**	**NauticStar**	**Crest**	**Total**
Major Product Categories:								
Boats and trailers	$ 68,582	$ 12,216	$ 17,610	$ 98,408	$ 69,286	$ 17,834	$ 18,624	$ 105,744
Parts	4,545	123	391	5,059	3,432	160	181	3,773
Other revenue	237	3	38	278	195	1	76	272
Total	$ 73,364	$ 12,342	$ 18,039	$ 103,745	$ 72,913	$ 17,995	$ 18,881	$ 109,789

Contract Liabilities

As of June 30, 2020, the Company had $0.6 million of contract liabilities associated with customer deposits. During the three months ended October 4, 2020, all of this amount was recognized as revenue. As of October 4, 2020, total contract liabilities associated with customer deposits were $1.1 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, 2021.

3. INVENTORIES

Inventories consisted of the following:

	October 4, 2020	June 30, 2020
Raw materials and supplies	$ 23,781	$ 18,318
Work in process	5,230	3,866
Finished goods	5,971	4,876
Obsolescence reserve	(2,381)	(1,424)
Total inventories	$ 32,601	$ 25,636

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amounts of goodwill as of October 4, 2020 and June 30, 2019, attributable to each of the Company's reportable segments, were as follows:

	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

The following table presents the carrying amount of Other intangible assets, net:

	October 4, 2020			June 30, 2020		
	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	$ (10,786)	$ 28,714	$ 39,500	$ (9,810)	$ 29,690
Software	245	(98)	147	245	(86)	159
	39,745	(10,884)	28,861	39,745	(9,896)	29,849
Unamortized intangible assets						
Trade names	49,000	(15,000)	34,000	49,000	(15,000)	34,000
Total other intangible assets	$ 88,745	$ (25,884)	$ 62,861	$ 88,745	$ (24,896)	$ 63,849

Amortization expense related to Other intangible assets, net for each of the three months ended October 4, 2020 and September 29, 2019 was $1.0 million. Estimated amortization expense for the fiscal year ended June 30, 2021 is $4.0 million.

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	October 4, 2020	June 30, 2020
Warranty	$ 20,533	$ 20,004
Dealer incentives	4,890	8,448
Compensation and related accruals	3,284	1,488
Floor plan interest	1,153	732
Inventory repurchase contingent obligation	640	1,132
Insurance premium financing	380	662
Self-insurance	491	704
Debt interest	31	—
Other	4,489	2,815
Total accrued expenses and other current liabilities	$ 35,891	$ 35,985

Accrued warranty liability activity was as follows for the three months ending:

	October 4, 2020	September 29, 2019
Balance at the beginning of the period	$ 20,004	$ 17,205
Provisions	1,833	1,999
Payments made	(2,103)	(2,302)
Aggregate changes for preexisting warranties	799	788
Balance at the end of the period	$ 20,533	$ 17,690

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 October 4, 2020 was $0.4 million and is recorded in Accrued expenses and other current liabilities.

6. LONG-TERM DEBT

Long-term debt is as follows:

	October 4, 2020	June 30, 2020
Revolving credit facility	$ -	$ 10,000
Term loans	97,638	99,993
Debt issuance costs on term loans	(1,269)	(1,395)
Total debt	96,369	108,598
Less current portion of long-term debt	9,420	9,420
Less current portion of debt issuance costs on term loans	(477)	(488)
Long-term debt, net of current portion	$ 87,426	$ 99,666

On October 1, 2018, the Company entered into a 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 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 is secured by substantially all the assets of the Company. Holdings is a guarantor on the Fourth Amended Credit Agreement and the Fourth Amended Credit Agreement contains covenants that restrict the ability of Holdings’ subsidiaries to make distributions to Holdings. The Term Loans will mature and all remaining amounts outstanding thereunder will be due and payable on October 1, 2023.

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, after 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. As of October 4, 2020, the Company was in compliance with its financial covenants under the Amendment to the Fourth Amended Credit Agreement.

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 a LIBOR rate, subject to a 50 basis point floor, plus an applicable margin ranging from 1.5% to 3.25%, in each case based on the Company’s Total Net Leverage Ratio. During the quarter, the applicable margin for loans accruing interest at the prime rate was 1.25% and the applicable margin for loans accruing interest at LIBOR was 2.25%.

Revolving Credit Facility

During the three months ended October 4, 2020, the Company repaid $10.0 million on its $35.0 million Revolving Credit Facility and the availability under the Revolving Credit Facility as of October 4, 2020 was $35.0 million.

7. INCOME TAXES

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, the benefit of federal and state credits, and a permanent benefit associated with the foreign derived intangible income deduction, partially offset by a permanent add-back for Section 162(m) limitations. During the three months ended October 4, 2020 and September 29, 2019, the Company’s effective tax rates were 22.8% and 24.0%, respectively. The Company’s effective tax rate for the three months ended October 4, 2020 is lower compared to the effective tax rate for the three months ended September 29, 2019, primarily due to an increase in the benefit of federal and state tax credits, partially offset by a decrease in the Company’s net permanent benefits, largely driven by changes in the foreign derived intangible income deduction, and add-back for Section 162(m) limitations.

8. EARNINGS PER SHARE

The following table sets forth the computation of the Company's earnings per share:

	Three Months Ended	
	October 4, 2020	September 29, 2019
Net income	$ 9,567	$ 8,623
Weighted average shares — basic	18,774,336	18,723,845
Dilutive effect of assumed exercises of stock options	14,099	27,474
Dilutive effect of assumed restricted share awards/units	78,391	19,437
Weighted average outstanding shares — diluted	18,866,826	18,770,756
Basic earnings per share	$ 0.51	$ 0.46
Diluted earnings per share	$ 0.51	$ 0.46

For the three months ended October 4, 2020 and September 29, 2019, an immaterial number of shares were excluded from the computation of diluted earnings per share as the effect would have been anti-dilutive.

9. SHARE-BASED COMPENSATION

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

	Three Months Ended	
	October 4, 2020	September 29, 2019
Restricted stock awards	$ 417	$ 252
Performance stock units	223	251
Stock options	—	9
Share-based compensation expense	$ 640	$ 512

Restricted Stock Awards

During the three months ended October 4, 2020, the Company granted 87,047 restricted stock awards ("RSAs") to the Company's non-executive directors, officers and certain other key employees. Generally, the shares of restricted stock granted during the three months ended October 4, 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 three months ended October 4, 2020, was $19.96 per share.

The following table summarizes the status of nonvested RSAs as of October 4, 2020, and changes during the three months then ended.

	Nonvested Restricted Shares	Average Grant-Date Fair Value (per share)
Nonvested at June 30, 2020	106,894	$ 18.01
Granted	87,047	19.96
Vested	(26,170)	19.31
Forfeited	(8,673)	19.29
Nonvested at October 4, 2020	159,098	18.79

As of October 4, 2020, there was $2.3 million of total unrecognized compensation expense related to nonvested RSAs. The Company expects this expense to be recognized over a weighted average period of 2.0 years.

Performance Stock Units

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.

Supplemental PSUs

On July 16, 2020, after consulting with outside compensation advisors and outside legal counsel, reviewing market data and benchmarking expected relative compensation to the market data, the Company's Compensation Committee made the decision to grant additional PSUs under the Long-term Incentive Plan ("LTIP Program") to certain of the Company's officers, (the "Supplemental PSUs"). The "Performance Period" for the Supplemental PSUs is a two-year period commencing July 1, 2020 and ending June 30, 2022. The Supplemental PSUs were granted to attract and motivate key employees whose existing fiscal 2019 and fiscal 2020 PSU grants (the "Existing PSUs") were unlikely to achieve minimum performance goals due to the unprecedented effects of the COVID-19 pandemic.

The number of Supplemental PSUs that a grantee earns for the performance period will be determined by multiplying the target award by the product of (i) the Composite Payout Percentage and (ii) the Relative TSR Modifier. The "Composite Payout Percentage" is calculated based on the Company's Total Market Share Percentage, Total Consumer Satisfaction Index Percentage and Total Dealer Inventory Turnover Percentage (each as defined in the Supplemental PSU Award Agreement). Following the determination of the Company's achievement with respect to the Composite Payout Percentage over the Performance Period, the vesting of each award will be subject to adjustment based upon the application of a Relative TSR Modifier. The Supplemental PSUs are capped at 90% of the Existing PSUs' original fair value and would be reduced for any shares issuable upon satisfaction of the performance criteria pursuant to the Existing PSUs.

The following table summarizes the status of nonvested PSUs as of October 4, 2020, and changes during the three months then ended.

	Nonvested Performance Stock Units	Average Grant-Date Fair Value (per share)
Nonvested at June 30, 2020	67,404	$ 20.02
Granted	121,914	19.99
Vested	-	-
Forfeited	(15,588)	20.25
Nonvested at October 4, 2020	173,730	19.98

As of October 4, 2020, there was $2.2 million of total unrecognized compensation expense related to nonvested PSUs. The Company expects this expense to be recognized over a weighted average period of 2.24 years.

10. 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.

- 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.

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

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

Each segment distributes its products through its own dealer network. The CODM regularly reviews the operating performance of each segment including measures of performance based on operating income. Each segment has its own management structure which is responsible for the operations of the segment and which is directly accountable to the CODM. The Company files a consolidated income tax return and does not allocate income taxes and other corporate-level expenses, including interest, to operating segments. All material corporate costs are included in the MasterCraft segment.

Selected financial information for the Company's reportable segments was as follows:

	For the Three Months Ended October 4, 2020			
	MasterCraft	NauticStar	Crest	Consolidated
Net sales	$ 73,364	$ 12,342	$ 18,039	$ 103,745
Operating income (loss)	13,361	(1,619)	1,662	13,404
Depreciation and amortization	1,301	814	624	2,739
Purchases of property, plant and equipment	1,799	243	—	2,042

	For the Three Months Ended September 29, 2019			
	MasterCraft	NauticStar	Crest	Consolidated
Net sales	$ 72,913	$ 17,995	$ 18,881	$ 109,789
Operating income	12,207	27	463	12,697
Depreciation and amortization	1,020	801	550	2,371
Purchases of property, plant and equipment	2,733	819	776	4,328

The following table presents total assets for the Company's reportable segments.

	October 4, 2020	June 30, 2020
Assets:		
MasterCraft	$ 293,899	$ 294,139
NauticStar	39,121	36,720
Crest	41,213	40,077
Eliminations(a)	(163,013)	(163,013)
Total assets	$ 211,220	$ 207,923

(a) Represents the Company's initial investment in NauticStar and Crest, which is included in total assets attributed to the MasterCraft segment.

11. SUBSEQUENT EVENT

On August 13, 2020, the Company entered into an agreement to purchase certain real property located in Merritt Island, Florida, including an approximately 140,000 sq. ft. boat manufacturing facility. During October 2020, the Company completed this purchase for a total cost of $14.2 million.

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 2020 Annual Report on Form 10-K. 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.

COVID-19 Pandemic

We continue to be subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on our business is highly uncertain and difficult to predict, as the response to the COVID-19 pandemic is still evolving in many countries, including the United States and other markets where we operate.

Impact to Operations

To balance wholesale production with the anticipated impacts to retail demand caused by the economic impacts of the COVID-19 pandemic, we reduced production in February 2020 and, in late March 2020, temporarily suspended manufacturing operations at all of our facilities to protect the health of our employees and comply with governmental mandates. We resumed operations at reduced production levels at our manufacturing facilities by mid-May 2020 and we continue to ramp up production.

MasterCraft, NauticStar and Crest each achieved a steady increase in production during the first quarter of fiscal 2021. Although all of our segments made progress, NauticStar's performance lagged behind our other brands during the first quarter. In August 2020, we announced that Scott Womack had been named President of NauticStar. We believe NauticStar will greatly benefit from Mr. Womack's years of executive leadership, manufacturing experience and proven dedication to operational excellence.

Impact to Liquidity and Capital Resources

During March 2020, we drew $35.0 million on our Revolving Credit Facility as a precautionary measure in order to increase our 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, we entered into Amendment No. 3 (the "Amendment") to the Fourth Amended & Restated Credit and Guarantee Agreement (the "Credit Facility") to strengthen our financial flexibility. Among other things, the changes effected by the

Amendment provide temporary relief under our financial covenants. See Note 6 in Notes to Consolidated Financial Statements for more information regarding these changes. The performance of the business and our cash management activities provided the flexibility to repay the entire Revolving Credit Facility as of October 4, 2020. As of October 4, 2020, we were in compliance with our financial covenants under the Amendment to the Credit Facility.

Outlook

We believe strong marine retail demand, coupled with abnormally low retail inventory levels for all our brands have created a growth opportunity for fiscal 2021 and potentially into future years. We continue to ramp up production at our facilities and we expect this ramp up phase to continue through fiscal 2021 in order to meet strong wholesale demand as our dealers seek to satisfy current retail order flow and replenish their stock inventory. As we navigate the unprecedented confluence of demand and disruption precipitated by the COVID-19 pandemic, our production during this ramp up period will depend, in large part, on our suppliers' capacity. Additionally, our ability to grow and retain a high-performing workforce will be critical to meeting our production objectives.

Although the consumer responses to the COVID-19 pandemic have thus far resulted in strong demand for our products, significant uncertainty exists in the economy as a result of the unpredictable outlook for the COVID-19 pandemic. The ultimate impact of the COVID-19 pandemic on our business is uncertain and will depend on a number of factors, including, the duration, spread and severity, the remedial action and stimulus measures adopted by local, state and federal governments, the effects of the pandemic on our consumers, dealers, suppliers and workforce, and the extent to which normal economic and operating conditions can resume and be sustained within the general economy. Our 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 or workforce disruptions and uncertain demand, additional manufacturing suspensions, additional other intangible asset impairment charges, and the impact of any initiatives that we may undertake to address financial and operational challenges faced by us and our consumers, dealers, and suppliers.

Overview of Results of Operations

Net sales were $103.7 million for the first quarter of 2021, which represented a decrease of 5.5 percent as compared to the first quarter of 2020. The decrease was primarily due to lower sales volumes as we continue to ramp up production at each of our segments. Partially offsetting the impact of lower volumes was lower dealer incentives, a favorable mix of higher-priced and higher-contented models, and higher parts sales volume for MasterCraft and Crest.

Gross profit for the first quarter of 2021 increased 2.7 percent, primarily due to lower dealer incentives, higher prices, favorable model mix, and higher parts sales volume at MasterCraft and Crest. These increases were partially offset by lower unit sales volume for each reportable segment and higher labor costs at MasterCraft and NauticStar. Gross margin increased by 200 basis points to 25.3 percent for the first quarter of 2021 from 23.3 percent for the first quarter of 2020 primarily due to lower dealer incentives and materials costs as a percentage of sales, partially offset by lower overhead absorption driven by lower sales volume and higher labor costs as a percentage of sales.

Net income was $9.6 million for the first quarter of 2021, compared to Net income of $8.6 million for the first quarter of 2020. Diluted earnings per share was $0.51, compared to diluted net income per share of $0.46 for the prior year period.

Merritt Island Facility Purchase

On August 13, 2020, we entered into an agreement to purchase certain real property located in Merritt Island, Florida, including an approximately 140,000 sq. ft. boat manufacturing facility, (the "Merritt Island Facility"). On October 26, 2020 we completed this purchase for a total cost of $14.2 million. We are expanding our overall boat building capacity by moving all Aviara production to the Merritt Island Facility. While we believe this additional capacity will help facilitate Aviara's long-term growth, importantly, we also believe that removing Aviara production from our Vonore, Tennessee facility will allow for an immediate increase in capacity and productivity for our MasterCraft brand. The transition of Aviara's production has already begun and we expect to begin producing Aviara in the Merritt Island Facility by early third quarter of fiscal 2021.

Results of Operations

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

	Three Months Ended		2021 vs. 2020	
	October 4, 2020	September 29, 2019	Change	% Change
	(Dollars in thousands)			
Consolidated statements of operations:				
NET SALES	$ 103,745	$ 109,789	$ (6,044)	(5.5%)
COST OF SALES	77,515	84,256	(6,741)	(8.0%)
GROSS PROFIT	26,230	25,533	697	2.7%
OPERATING EXPENSES:				
Selling and marketing	2,907	4,064	(1,157)	(28.5%)
General and administrative	8,932	7,785	1,147	14.7%
Amortization of other intangible assets	987	987	-	0.0%
Total operating expenses	12,826	12,836	(10)	(0.1%)
OPERATING INCOME	13,404	12,697	707	5.6%
OTHER EXPENSE:				
Interest expense	1,019	1,344	(325)	(24.2%)
INCOME BEFORE INCOME TAX EXPENSE	12,385	11,353	1,032	9.1%
INCOME TAX EXPENSE	2,818	2,730	88	3.2%
NET INCOME	$ 9,567	$ 8,623	$ 944	10.9%
Additional financial and other data:				
Unit sales volume:				
MasterCraft	653	741	(88)	(11.9%)
NauticStar	286	396	(110)	(27.8%)
Crest	453	526	(73)	(13.9%)
Consolidated unit sales volume	1,392	1,663	(271)	(16.3%)
Net sales:				
MasterCraft	$ 73,364	$ 72,913	$ 451	0.6%
NauticStar	12,342	17,995	(5,653)	(31.4%)
Crest	18,039	18,881	(842)	(4.5%)
Consolidated net sales	$ 103,745	$ 109,789	$ (6,044)	(5.5%)
Net sales per unit:				
MasterCraft	$ 112	$ 98	$ 14	14.3%
NauticStar	43	45	(2)	(4.4%)
Crest	40	36	4	11.1%
Consolidated net sales per unit	75	66	9	13.6%
Gross margin	25.3%	23.3%	200 bps	

Three Months Ended October 4, 2020 Compared to the Three Months Ended September 29, 2019

Net Sales. Net Sales for the first quarter were $103.7 million, a decrease of $6.0 million, or 5.5 percent, compared to $109.8 million for the prior-year period. The decrease was primarily due to:

- a $5.7 million decrease for the NauticStar segment primarily due to primarily due to lower sales volume, as NauticStar continues to ramp up production,
- an $0.8 million decrease for the Crest segment primarily due to lower sales volume, as Crest continues to ramp up production, partially offset by favorable mix and higher-priced models, and

- a $0.5 million increase for the MasterCraft segment, as the impact of lower sales volume associated with our continued production ramp up was offset by lower dealer incentives, a favorable mix of higher-priced and higher-contented models, and higher parts sales volume.

Gross Profit and Gross Margin. Gross profit increased $0.7 million, or 2.7 percent, to $26.2 million compared to $25.5 million for the prior-year period. The increase was primarily a result of higher prices, lower dealer incentives and higher parts revenue at MasterCraft and Crest and favorable model and options mix at MasterCraft. These increases were partially offset by lower unit sales volume for each reportable segment and higher labor costs at MasterCraft and NauticStar. We expect to continue to realize higher labor costs for the full fiscal year due to changes, implemented in the first quarter, to our production employee compensation package at MasterCraft.

Gross margin increased primarily due to lower dealer incentives and materials costs as a percentage of sales, and higher prices, partially offset by lower overhead absorption driven by lower sales volume and higher labor costs as a percentage of sales.

Operating Expenses. Operating expenses were flat compared to the prior-year period as lower Selling and marketing costs, primarily due to timing of anticipated marketing spend within the year, were offset by higher General and administrative expenses, primarily driven by additional spend related to product development and variable compensation costs.

Interest Expense. Interest expense decreased $0.3 million, or 24.2 percent primarily due to lower effective interest rates and lower average outstanding debt balances during the quarter compared to the prior-year period.

Income Tax Expense. Our consolidated interim effective income tax rate decreased to 22.8 percent for the first quarter of 2021 from 24.0 percent for first quarter of 2020.

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 Aviara transition costs and Aviara (new brand) startup costs, and non-cash share-based compensation. 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 and adjusted for the impact to income tax expense (benefit) related to non-GAAP adjustments. For the periods presented herein, these adjustments include Aviara transition costs, Aviara (new brand) startup costs, and certain non-cash items including other intangible asset amortization and share-based compensation.

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. 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 certain non-cash items and other items that we do not consider to be indicative of our core and/or ongoing operations and adjusts for the impact to income tax expense (benefit) related to non-GAAP adjustments. 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 as determined in accordance with U.S. GAAP to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated:

	Three Months Ended	
	October 4, 2020	**September 29, 2019**
Net income	$ 9,567	$ 8,623
Income tax expense	2,818	2,730
Interest expense	1,019	1,344
Depreciation and amortization	2,739	2,371
EBITDA	16,143	15,068
Share-based compensation	640	512
Aviara start-up costs(a)	-	308
Aviara transition costs(b)	178	-
Adjusted EBITDA	$ 16,961	$ 15,888
Adjusted EBITDA Margin	16.3%	14.5%

(a) 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, after the Aviara transition of production to the new Merritt Island facility in Florida. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models.

(b) Represents costs to transition production of the Aviara brand from Vonore, Tennessee to Merritt Island, Florida. Costs include duplicative overhead costs and costs not indicative of ongoing operations (such as training and facility preparation). We expect to incur such costs until Aviara production is fully transitioned, which we expect will be completed during fiscal 2021.

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

	Three Months Ended	
	October 4, 2020	**September 29, 2019**
	(Dollars in thousands)	
Net income	$ 9,567	$ 8,623
Income tax expense	2,818	2,730
Amortization of acquisition intangibles	960	960
Aviara start-up costs(a)	-	308
Aviara transition costs(b)	178	-
Share-based compensation	640	512
Adjusted Net Income before income taxes	14,163	13,133
Adjusted income tax expense(c)	3,257	3,021
Adjusted Net Income	$ 10,906	$ 10,112
Adjusted Net Income per share:		
Basic	$ 0.58	$ 0.54
Diluted	$ 0.58	$ 0.54
Weighted average shares used for the computation of:		
Basic Adjusted Net Income per share	18,774,336	18,723,845
Diluted Adjusted Net Income per share	18,866,826	18,770,756

(a) 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, after the Aviara transition of production to the new Merritt Island facility in Florida. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models.

(b) Represents costs to transition production of the Aviara brand from Vonore, Tennessee to Merritt Island, Florida. Costs include duplicative overhead costs and costs not indicative of ongoing operations (such as training and facility preparation). We expect to incur such costs until Aviara production is fully transitioned, which we expect will be completed during fiscal 2021.

(c) Reflects income tax expense at an income tax rate of 23.0% for each period presented.

The following table presents the reconciliation of net income per diluted share to Adjusted net income per diluted share for the periods presented:

	Three Months Ended	
	October 4, 2020	September 29, 2019
Net income per diluted share	$ 0.51	$ 0.46
Impact of adjustments:		
Income tax expense	0.15	0.15
Amortization of acquisition intangibles	0.05	0.05
Aviara start-up costs(a)	-	0.02
Aviara transition costs(b)	0.01	-
Share-based compensation	0.03	0.03
Adjusted Net Income per diluted share before income taxes	0.75	0.71
Impact of adjusted income tax expense on net income per diluted share before income taxes(c)	(0.17)	(0.17)
Adjusted Net Income per diluted share	$ 0.58	$ 0.54

(a) 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, after the Aviara transition of production to the new Merritt Island facility in Florida. Start-up costs presented for fiscal 2020 are related to the AV36 and AV40 models.

(b) Represents costs to transition production of the Aviara brand from Vonore, Tennessee to Merritt Island, Florida. Costs include duplicative overhead costs and costs not indicative of ongoing operations (such as training and facility preparation). We expect to incur such costs until Aviara production is fully transitioned, which we expect will be completed during fiscal 2021.

(c) Reflects income tax expense at an income tax rate of 23.0% for each period presented.

Change in Non-GAAP Financial Measure

Prior to fiscal year-end 2020, the Company's calculation of a diluted per share amount of Adjusted Net Income included an adjustment to fully dilute this non-GAAP measure for all outstanding share-based compensation grants. This additional dilution was incorporated by adjusting the GAAP measure, Weighted Average Shares Used for the Computation of Basic earnings per share, as presented on the Consolidated Statements of Operations, to include a dilutive effect for all outstanding RSAs, PSUs, and stock options. Beginning with the fiscal year-end 2020 presentation and for all subsequent periods, the Company will no longer include this additional dilution impact in its calculation of Adjusted Net Income per diluted share. The Company has instead utilized the Weighted Average Shares Used for the Computation of Basic and Diluted earnings per share as presented on the Consolidated Statements of Operations to calculate Adjusted Net Income per diluted share for all periods presented herein.

The Company believes that, because its outstanding share-based compensation grants no longer result in a material amount of dilution of its earnings as was the case nearer to the date of our IPO, the adjustment methodology previously used no longer provides meaningful information to management or other users of its financial statements. This change resulted in an increase of $0.01 in the three months ended September 29, 2019 in the amount of Adjusted Net Income per diluted share from what was previously reported.

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 liquidity are our cash balance, cash generated from operating activities, our Revolving Credit Facility and the refinancing and/or new issuance of long-term debt. As of October 4, 2020, we had a cash balance of $8.9 million in addition to $35.0 million of available borrowing capacity under the Revolving Credit Facility. During October 2020, the Company completed the purchase of the Merritt Island, Florida for a total cost of $14.2 million. See Note 11 in Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding this transaction.

We believe our cash balance, cash from operations, and availability under the Revolving Credit Facility will be sufficient to provide for our liquidity and capital resource needs. However, we are continuing to monitor the COVID-19 pandemic and its impact on our business, dealers, consumers and industry as a whole. The following table summarizes the cash flows from operating, investing, and financing activities:

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

	Three Months Ended		
	October 4, 2020	September 29, 2019	Change
	(Dollars in thousands)		
Total cash provided by (used in):			
Operating activities	$ 7,372	$ 5,242	$ 2,130
Investing activities	(2,042)	(4,314)	2,272
Financing activities	(12,791)	(343)	(12,448)
Net change in cash	$ (7,461)	$ 585	$ (8,046)

Cash Flows

Net cash provided by operating activities increased primarily due to higher operating income partially offset by additional working capital usage. 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. Cash flows from working capital changes were generally flat compared to the prior year quarter and included:

- a $10.1 million decrease related to Accounts receivable primarily due to a larger increase in receivables during first quarter of fiscal 2021 as compared to the same period in fiscal 2020 driven by relative sales volumes improvement and the impact of an improved Crest collection cycle during the first quarter of fiscal 2020;
- a $3.5 million decrease attributable to Inventories mainly as a result of an increase in raw materials and work-in-process driven by increasing production during the first quarter of fiscal 2021;
- a $5.7 million increase attributable to Accounts payable driven by increasing production during the first quarter of fiscal 2021;
- a $5.0 million increase related to Accrued expenses and other current liabilities largely from lower cash used for variable compensation and dealer incentives for the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020; and
- a $3.0 million increase related to Income tax activity as overpayments from fiscal 2020 were used to reduce cash requirements for income taxes in the first quarter of fiscal 2021.

Net cash used in investing activities decreased $2.3 million primarily due to lower capital expenditures.

Financing cash flow decreased primarily as the result of higher repayments of debt during the first quarter of fiscal 2021 as compared to the same period of the prior year. The Company repaid $10.0 million on its Revolving Credit Facility and $2.4 million of scheduled principal repayments on its term loans during the first quarter of fiscal 2021. The Company had no principal repayments on long-term debt during the first quarter of fiscal 2020 due to the Company's fiscal quarter ending on September 29, 2019, prior to the scheduled quarterly principal repayment due on September 30, 2019.

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet financing arrangements as of October 4, 2020.

Emerging Growth Company

We are currently an emerging growth company, as defined in the JOBS Act. We will continue to be an emerging growth company until June 30, 2021, which is the last day of our fiscal year following the fifth anniversary of the date of completion of our initial public offering. As a result, beginning with our annual reporting requirements related to fiscal 2021, we may no longer 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 and stockholder advisory votes on golden parachute 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."

Critical Accounting Policies

As of October 4, 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 Annual Report on Form 10-K for the fiscal year ended June 30, 2020, which was filed with the SEC on September 11, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our 2020 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 October 4, 2020.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended October 4, 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.

During the three months ended October 4, 2020, there were no material changes to the risk factors disclosed in “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

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.

None.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
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	Agreement for Purchase and Sale of Merritt Island Facility					*
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					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					*

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MASTERCRAFT BOAT HOLDINGS, INC.
(Registrant)

Date: November 12, 2020	By:	/s/ FREDERICK A. BRIGHTBILL
		Frederick A. Brightbill
		Chief Executive Officer (Principal Executive Officer) and Chairman of the Board
Date: November 12, 2020	By:	/s/ TIMOTHY M. OXLEY
		Timothy M. Oxley
		Chief Financial Officer (Principal Financial and Accounting Officer),
		Treasurer and Secretary

Exhibit 10.1

AGREEMENT FOR PURCHASE AND SALE

This **AGREEMENT FOR PURCHASE AND SALE** ("**Agreement**") is made and entered into this 13th day of August, 2020 ("**Effective Date**"), by and between **MASTERCRAFT BOAT COMPANY, LLC**, a Delaware limited liability company whose principal place of business is located at 100 Cherokee Cove Drive, Vonore, Tennessee 37885, and/or its assignee ("**Buyer**"), and **VECTORWORKS MERRITT ISLAND, LLC**, a Florida limited liability company whose principal place of business is located at 801 Marina Road, Titusville, Florida 32796 ("**Seller**").

RECITALS:

Seller desires to sell to Buyer and Buyer desires to purchase from Seller on the terms and conditions set forth herein, that certain real property consisting of approximately thirty eight (38) acres of land known as 1200-1230 Nautical Way, Merritt Island, FL 32952 and as more particularly described on Exhibit "A" attached hereto and made a part hereof for all purposes ("**Land**"), together will all of Seller's rights, title and interest in and to (i) all rights, benefits, permits, entitlements, development rights, privileges, easements, tenements, hereditaments, and appurtenances belonging or appertaining thereto, (ii) all improvements located on the Land, and (iii) all assignable licenses, authorizations, approvals, development rights and permits issued by any governmental or quasi-governmental authorities specifically relating to the operation, ownership, use occupancy or maintenance of the Land, including, without limitation, all rights and interest of Seller to any and all water and sewer taps, wastewater, sanitary and storm sewer capacity or reservations and rights under utility agreements with any applicable governmental or quasi-governmental authority specifically attributable to the Land (collectively, the "**Property**").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto agree as follows:

1. **Purchase and Sale.** Subject to all of the terms and conditions of this Agreement, Seller shall sell to Buyer and Buyer shall purchase from Seller the Property

2. **Purchase Price.** The purchase price to be paid by Buyer to Seller for the Property shall be FOURTEEN MILLION AND NO/100 DOLLARS ($14,000,000.00) ("**Purchase Price**").

3. **Deposit.**

(a) Within three (3) business days following the Effective Date of this Agreement, Buyer shall deliver to Cantwell & Goldman, P.A., Trust Account, Attn: Mitch Goldman ("**Title Company**"), by wire transfer, the amount of FIFTY THOUSAND AND NO/100 DOLLARS ($50,000.00) ("**Initial Deposit**").

(b) On or before three (3) business days after the expiration of the Due Diligence Period set forth in Section 4 below, Buyer shall deliver to Title Company, by wire transfer, the additional amount of FIFTY THOUSAND AND NO/100 DOLLARS ($50,000.00) ("**Additional Deposit**").

(c) The Initial Deposit and Additional Deposit shall collectively be referred to as the "**Deposits**".

4. **<u>Due Diligence Period.</u>** Buyer shall have until 5:00 p.m. (EST) on the date which is sixty (60) days after the Effective Date ("**Due Diligence Period**") in which to conduct its due diligence and all inquiries and investigations with respect to the Property as may be determined by Buyer in its sole discretion and at its sole cost and expense. If Buyer fails to provide written notice of its intent to terminate this Agreement prior to expiration of the Due Diligence Period, then notwithstanding anything to the contrary, the parties agree that this Agreement may thereafter only be cancelled by Buyer upon a default by Seller hereunder and Buyer shall be obligated to proceed to Closing (as defined herein), any and all contingencies to Closing shall be deemed to be waived by Buyer hereunder and the Deposits shall be non-refundable except in case of Seller's default hereunder. During the Due Diligence Period, Buyer and its officers, employees, agents, advisors, accountants, attorneys and engineers shall have the right to enter upon the Property at reasonable times after written notice to Seller for purposes of inspection and examination of the Property (including environmental testing) and otherwise perform whatever tasks reasonably necessary or deemed appropriate by Buyer in its sole discretion. Buyer covenants and agrees that it will not materially disrupt or interfere with any tenants (including their use and/or enjoyment of the Property) or Seller's operations of the Property during such inspections and investigations thereof.

At any time prior to the expiration of the Due Diligence Period, Buyer shall have the right to terminate this Agreement by written notice to Seller, whereupon the Initial Deposit shall be returned to Buyer and the parties hereto shall be relieved of all liabilities and obligations under this Agreement except to the extent expressly provided in this Agreement to the contrary. Within five (5) business days of any termination of this Agreement, Buyer shall return to Seller all reports and other information that Seller provided Buyer for purposes of conducting its due diligence. Failure of Buyer to deliver notice of termination to Seller prior to expiration of the Due Diligence Period shall constitute Buyer's acceptance of the Property and a waiver of Buyer's right to terminate pursuant to this Section 4.

Within ten (10) business days after the Effective Date, Seller shall provide Buyer, for information purposes only, those documents and agreements listed on Exhibit "B" in Seller's actual possession and/or control, including but not limited to any leases, with any and all amendments, assignments or extensions, surveys, reports, studies, construction documents, permit and approvals and environmental studies or reports (collectively, the "**Property Information**"). Buyer agrees to keep all Property Information confidential except as may be required to be disclosed pursuant to applicable law and as may be provided to Buyer's third-party professionals for purposes of evaluating the Property Information. Seller will also provide within the first thirty (30) days of this period a list of the Personal Property which will not be conveyed at Closing, as it is owned by the current tenant, Mattihas Enterprises Ltd. ("**Mattihas**").

Buyer shall defend and indemnify Seller and its respective employees, agents, partners, members, managers, affiliates, subsidiaries, contractors, attorneys, officers, directors, tenants and invitees (collectively, the "**Seller's Affiliates**"), and hold same harmless from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and disbursements) (collectively "**Claims**") suffered or incurred by same and arising out of or in connection with: (i) the entry upon the Property by Buyer and/or Buyer's representatives, including but not limited to any bodily injury or death of any person or property damage arising out of or in conjunction with same, except for any Claims caused by the gross negligence or intentional misconduct of Seller; (ii) any activities conducted thereon by Buyer and/or Buyer's representatives, except for any Claims caused by the gross negligence or intentional misconduct of Seller; (iii) any liens or encumbrances filed or recorded against the Property or any portion thereof, or any other property of Seller or of Seller's Affiliates, as a consequence of activities undertaken by Buyer and/or Buyer's representatives. The provisions of this section shall survive termination and Closing (as defined herein).

The parties acknowledge and agree that Buyer has a major credit facility with Fifth Third Bank, as lender and as agent for other lenders (the "**Lender**"), and that Buyer may not be able to obtain all of the necessary approvals of the Lender (which may require additional due diligence work) for the consummation of the transactions set forth herein (collectively the "**Lender Approvals**") within the initial sixty (60) day Due Diligence Period. As a result, the parties further agree that notwithstanding the foregoing provisions of this Section 4, in the event that Buyer, despite its exercise of due diligence and commercially reasonable efforts, is not able to obtain all of the Lender Approvals within the initial sixty (60) day Due Diligence Period, Buyer shall have the right to extend the Due Diligence Period for a period of thirty (30) days (the "**Due Diligence Extension**") upon written notice to Seller prior to expiration of the initial sixty (60) day Due Diligence Period solely for the purpose of obtaining the Lender Approvals. In the event Buyer exercises the Due Diligence Extension, within three (3) business days following its exercise of the extension, Buyer shall deliver to Title Company, by wire transfer, an additional earnest money deposit of TWENTY THOUSAND AND NO/100 DOLLARS ($20,000.00) ("**Extension Deposit**"), which shall be applied to the Purchase Price at closing and shall be non-refundable to Buyer in the event closing does not occur for any reason other than a default by Seller. In the event that Buyer is not able to obtain all of the necessary Lender Approvals during the Due Diligence Extension, Buyer shall be entitled to terminate this Agreement upon written notice to Seller prior to expiration of the Due Diligence Extension, in which event the Initial Deposit and the Additional Deposit shall be returned to Buyer, the Extension Deposit shall be paid to Seller, and the parties hereto shall be relieved of all liabilities and obligations under this Agreement except to the extent expressly provided in this Agreement to the contrary.

5. **<u>Title and Title Insurance.</u>** Within ten (10) business days after the Effective Date, Seller shall obtain and provide Buyer with a copy of an owner's title insurance commitment ("**Commitment**") issued by Title Company. Title Company shall issue to Buyer, upon the recording of the deed to the Property, an owner's title insurance policy in the amount of the Purchase Price insuring, upon Closing, the marketability of the fee title of Buyer to the Property. The cost of the Commitment and owner's title insurance policy shall be paid by Seller.

Buyer shall have ten (10) business days after receipt to review the Commitment. In the event the Commitment shall show as an exception any matter which renders title to the Property unmarketable in Buyer's sole and absolute discretion, or which would materially interfere with or impair Buyer's intended use of the Property in Buyer's sole and absolute discretion, Buyer shall, prior to the expiration of said ten (10) day period, notify Seller in writing of Buyer's objection thereto. Should Buyer fail to give written notice of objection strictly in accordance with this provision, Buyer shall be deemed to have accepted title to the Property as evidenced by the

Commitment. Within ten (10) business days after receipt of any timely-made written title objection from Buyer, Seller shall notify Buyer whether Seller elects to cure such title defect. If Seller elects not to cure such title defect, then Buyer shall, by written notice given to Seller within five (5) business days after receipt of the notice from Seller, either (a) agree to accept title to the Property as it then exists, or (b) terminate this Agreement by giving written notice to Seller, with a copy to Title Company, in which event, provided Buyer is not in default under this Agreement, Title Company shall refund the Initial Deposit to Buyer, and the parties shall be relieved of all further obligations hereunder except for: (i) obligations under any provision of this Agreement which, by its terms, is to survive the termination of this Agreement; and (ii) Buyer's indemnity obligations under this Agreement. Should Buyer fail to give written notice to Seller within said five (5) day period of its election to proceed pursuant to either (a) or (b) of this section, then Buyer shall be deemed to have elected to proceed pursuant to (a) of this section. If Seller elects to attempt to cure any title defect, then Seller shall use good faith efforts to cure such title defect but shall not be obligated to bring any legal action whatsoever and Seller shall be entitled to thirty (30) business days from the date of notification to Buyer within which to cure such defects. If the defect(s) shall not have been so cured at the expiration of the thirty (30) day period, Buyer's sole and exclusive remedy shall be either to: (i) agree to accept title to the Property as it then exists without reduction in the Purchase Price; or (ii) terminate this Agreement by giving written notice to Seller, with a copy to Title Company, in which event, provided Buyer is not in default under this Agreement, Title Company shall refund the Deposits to Buyer and the parties shall be relieved of all further obligations hereunder except for Buyer's indemnity obligations under this Agreement and the parties obligations under any provision of this Agreement which, by its terms, is to survive the termination of this Agreement. Buyer shall be deemed to have elected to accept title to the Property as it then exists and to proceed with its purchase of the Property without a reduction in the Purchase Price unless it shall give written notice of termination within five (5) business days following the expiration of said thirty (30) day period.

6. **Survey.** Prior to expiration of the Due Diligence Period, Buyer shall have the right to obtain, at its sole cost and expense, a survey (or any updated survey) with respect to the Property prepared by a land surveyor registered and licensed in the State of Florida ("**Survey**").

7. **Lease.** Seller shall deliver to Buyer, within ten (10) business days of the Effective Date, a copy of all leases of the Property (“**Lease**” or “**Leases**”), including amendments, assignments or extensions thereto as well as any other documentation relative to said leases of the Property.

8. **Conditions to Closing.** The parties acknowledge and agree that the Buyer’s obligations under this Agreement (i.e., Buyer’s obligations to close its purchase of the Property once the Due Diligence Period expires) are specifically contingent and conditioned upon the following:

(a) Assignment of Port Lease. Seller assigning to Buyer at Closing all of Seller’s right, title and interest in and to the Lease Agreement between the Canaveral Port Authority, as lessor, and the Sea Ray Division of Brunswick Corporation, as lessee, dated April 1, 1998, as assigned to Seller by the Sea Ray Division of Brunswick Corporation under the Assignment and Assumption of Lease Agreement dated February 22, 2012 (collectively the “**Port Lease**”), to enable Buyer to utilize the boat harbor on the northern side of the Property that is owned by the Canaveral Port Authority (the “**Port Authority**”). The parties acknowledge and agree that the Port Lease may not be assigned without the consent of the Port Authority, and Seller shall be solely responsible for obtaining the consent of the Port Authority for assignment of the Port Lease to Buyer at Closing. Seller agrees to exercise commercially reasonable efforts to obtain the consent of the Port Authority, and Buyer agrees to work together with Seller in good faith and exercise commercially reasonable efforts to assist Seller in obtaining the consent of Port Authority for assignment of the Port Lease to Buyer at Closing.

(b) Modification and Assignment of Title V Air Quality Permit. Seller modifying its current Title V air quality permit to allow up to one hundred and fifty (150) tons per year to be emitted from the boat manufacturing operations on the Property (the "***Modified Permit***"), and Seller assigning the Modified Permit to Buyer at Closing. Seller shall be solely responsible for obtaining the Modified Permit, and Seller agrees to exercise commercially reasonable efforts to obtain the Modified Permit from the permitting authority(ies). Buyer agrees to work together with Seller in good faith and exercise commercially reasonable efforts to assist Seller in obtaining the Modified Permit from the permitting authority(ies) prior to Closing.

In the event that either of the foregoing conditions are not met or cannot be met on or before Closing Date, Buyer shall have the option of (i) waiving any such condition in writing and proceeding with Closing, or (ii) extending the Closing Date for a period of up to forty-five (45) days in order to give Seller additional time to satisfy the conditions. In the event that Buyer elects to extend the Closing Date and the conditions are subsequently satisfied during the forty-five (45) day extension period, Closing shall occur within ten (10) days following the satisfaction of the conditions. In the event that Buyer elects to extend the Closing Date and one or more of the foregoing conditions are not met or cannot be met on or before the expiration of such forty-five (45) day extension period, Buyer shall then have the option of (i) terminating this Agreement, or (ii) waiving any such condition in writing and proceeding with Closing. If this Agreement is terminated pursuant to this paragraph, the Initial Deposit and the Additional Deposit shall be returned to Buyer, the Extension Deposit, if any, shall be paid to Seller, and the parties hereto shall be relieved of all liabilities and obligations under this Agreement except to the extent expressly provided in this Agreement to the contrary. In the event of the waiver of any such condition by Buyer in writing, this Agreement shall continue in full force and effect as to all other terms and conditions.

9. **Closing.** Closing ("**Closing**") shall be conducted by and held at the offices of Title Company by mail on or prior to the fourteenth (14th) day after the expiration of the Due Diligence Period ("**Closing Date**"). At Closing, the Deposits and the Extension Deposit, if any, shall be credited against the Purchase Price. Time shall be of the essence with respect to all matters herein.

10. **Seller's Deliveries.** At Closing, Seller shall deliver, or cause to be delivered, to Buyer, in form and content reasonably acceptable to Seller and Buyer, the following documents, each fully executed and acknowledged as required:

(a) Warranty Deed. A warranty deed conveying good and marketable fee simple title to the Property, free and clear of any and all liens, encumbrances, conditions, easements, rights of way, assessments and restrictions, subject only to the title exceptions approved or waived by Buyer in accordance with the provisions of Section 5 above (the "**Permitted Exceptions**").

(b) Affidavit. An Affidavit with respect to construction liens and parties in possession, in form reasonably acceptable to Buyer, sufficient to permit the Title Company to delete the "construction lien," "rights or claims of parties in possession" (other than under the Leases) and "gap" exceptions from the title insurance policy, and stating that the Property is free and clear of all liens, encumbrances, licenses, contracts or claims of rights, which claims may serve as the basis of a lien or charge against the Property, whether due to services, material or labor supplied for the benefit of or delivered to the Property, except to the extent arising from Buyer's or Buyer's representative's acts or omissions or with respect to the Permitted Exceptions. The Affidavit will also certify that there are no unpaid bills or claims relating to the Property as of the day of Closing.

(c) FIRPTA Affidavit. A FIRPTA non-foreign transfer certificate in accordance with Section 1445 of the Internal Revenue Code.

(d) Closing Statement. A closing statement setting forth the Purchase Price, Deposits, the Extension Deposit, if any, all credits, adjustments and prorations between Buyer and Seller, the net cash to close due Seller and all closing costs and other expenses.

(e) Entity Documents. A resolution or other appropriate documentation authorizing the transactions contemplated by this Agreement.

(f) Assignment of Leases. An Assignment of all Leases between Seller and its tenants (“**Tenant**”) to which Buyer does not object under Section 5 above, and an Assignment of the Port Lease in substantially the same form as the Assignment and Assumption of Lease Agreement between Seller and the Sea Ray Division of Brunswick Corporation dated February 22, 2012.

(g) Estoppel. An estoppel executed by Tenant indicating, among other items normally disclosed in an estoppel, that the Lease is in full force and effect, that Seller is not in default of the Lease and any security deposit and prepaid rents paid by Tenant to Seller.

(h) Title Insurance. The marked-up title commitment showing satisfaction of Buyer’s objections.

(i) Title Company Documents. Such other documents as may be reasonably requested by the Title Company for closing of the transaction contemplated by this Agreement and the issuance of the owner’s policy to Buyer.

11. **Buyer's Deliveries.** At Closing, Buyer shall deliver, or cause to be delivered, to Seller, in form and content reasonably acceptable to Seller and Buyer, simultaneously with Seller's delivery of the documents required pursuant to the preceding section, the following, each fully executed and acknowledged as required:

(a) Purchase Price. The Purchase Price, adjusted for the Deposits, the Extension Deposit, if any, and prorations and adjustments provided for in this Agreement.

(b) Closing Statement. A closing statement between Seller and Buyer, reflecting the Purchase Price, the Deposits, the Extension Deposit, if any, prorations and adjustments set forth in this Agreement, and all closing costs and other expenses.

(c) Entity Documents. A resolution or other appropriate documentation authorizing Buyer's consummation of the transactions contemplated by this Agreement and Buyer's execution and delivery of all documents in conjunction therewith.

(d) Assumption of Leases. An assumption of Seller's obligations under the Lease from and after Closing and indemnifying Seller with respect to same.

12. **Closing and Recording Costs.** Seller shall pay the cost of documentary stamp taxes on the warranty deed, commission due Brokers (as hereinafter defined), title search fees, municipal lien search fees, cost of owner's title insurance policy, settlement fees and any the cost of any tax certificates. Buyer shall pay the cost to record the deed and escrow fee. Each party shall pay its respective legal fees. The security deposit, if any, under the Lease shall be transferred from Seller to Buyer at Closing.

13. **Adjustments and Prorations**. The following are to be prorated and adjusted as of the Closing Date:

a. Taxes. Any real estate taxes and personal property taxes that are Seller's responsibility shall be prorated at Closing. Buyer shall receive a credit against the Purchase Price for Seller's share of such items and shall assume payment of such taxes and assessments for the year of Closing and subsequent years. In the event the assessed valuation of the Property or the tax rates for the year of Closing are not known at the time of the Closing, the proration of taxes and assessments for the year of Closing shall be made on the basis of the most recent valuation and tax rates with an appropriate adjustment made between the parties when the actual valuation and tax rates are known.

b. It shall be the obligation of Buyer to determine, during the Due Diligence Period, whether there shall exist any certified, confirmed and ratified special assessment liens, or any special assessment for public or subdivision services benefiting the Property. The same shall constitute Permitted Exceptions, provided that Seller shall be responsible for payment of the portion of any special assessment that covers the period of Seller's ownership of the Property prior to closing.

c. Seller and Buyer will cooperate to transfer accounts, to the extent transferable, with the various utility services serving the Property in such a way as to avoid any interruption in service and to obtain accurate figures with respect to prorating the cost of same as of the Closing Date.

d. Any other expenses, rents, and revenues of the Property shall be prorated through the date of Closing.

e. All sums due for accounts payable which are Seller's responsibility and which are due and owing and were incurred by Seller or with respect to the Property for periods prior to the Closing Date will be paid by Seller. All accounts payable incurred or attributable to periods after the Closing Date will be paid by Buyer or reimbursed to Seller by Buyer.

14. **Possession**. At Closing, Buyer shall be granted full, complete and exclusive possession of the Property, subject to any tenant interests under any Lease pursuant to Section 7.

15. **Representations and Warranties of Seller**. Seller represents and warrants to Buyer as follows:

(a) Seller is a limited liability company duly organized, validly existing and in good standing in the State of Florida.

(b) Seller is authorized to execute this Agreement and bind Seller to the terms hereof without the consent or joinder of any other person or entity or any such consent or joinder has been obtained.

(c) Seller is solvent and is able to pay its debts as they mature. No proceeding in bankruptcy or for the appointment of any receiver for all or any portion of the Property, real or personal, has been filed by or against Seller in any federal or state court.

(d) There is no litigation pending or, to Seller's knowledge threatened, against Seller or the Property which would have any material, adverse effect on Seller's ability to perform its obligations under this Agreement.

(e) The execution of this Agreement and the consummation of the transaction contemplated herein does not and will not violate the terms of any agreement or court order which is binding upon Seller or the Property.

(f)Seller has not received notice from any governmental authority having jurisdiction over the Property that the Property does not presently comply with any applicable federal, state, county and municipal laws, ordinances, rules and regulations.

(g)Neither Seller nor any of Seller's direct or indirect members, partners or equity holders is, and none of such parties will be, a person or entity with whom Buyer is restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the "**USA Patriot Act**") or Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto, including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

(h) Mattihas, the current tenant, and prior tenants, have been engaged in the manufacturing business and have maintained, or do maintain, "hazardous substances" on the Land. These hazardous substances include, but are not necessarily limited to, vinylester, polyester, epoxy resins, primer and paint, solvents for multiple uses, and other similar and related material in conjunction with the boat construction business.

(i)The Lease(s) is/are in full force and effect, the Tenant(s) is/are not in default of the Lease, and there exists no other documentation relative to the Lease(s) other than those documents provided by Seller to Buyer pursuant to Section 7 above.

(j)There are no parties in possession of any portion of the Property as lessees (other than those described in Section 7), tenants at sufferance or trespassers. Further, no person, firm, corporation, or other entity has any right or option to acquire the Property or any part thereof, whether or not superior to Buyer's rights under this Agreement.

Each of the representations and warranties contained in this Section 15 shall be deemed made as of the date of this Agreement and again as of the Closing Date and shall survive Closing.

16.**Representations and Warranties of Buyer.** Buyer hereby represents and warrants to Seller as follows:

(a) Buyer is a limited liability company, duly organized, validly existing and in good standing in the State of Delaware.

(b) Any entity that is or becomes a permitted assignee of Buyer shall be duly organized, validly existing and in good standing in the place of its formation.

(c) Buyer and the entities or persons signing this Agreement on its behalf are authorized to execute this Agreement and bind Buyer to the terms hereof without the consent or joinder of any other person or entity.

(d) Buyer is solvent and is able to pay its debts as they mature. No proceeding in bankruptcy or for the appointment of any receiver for all or any portion of Buyer's property, real or personal, has been filed by or against Buyer in any federal or state court.

(e) There is no litigation pending or, to the best of Buyer's knowledge, threatened against Buyer which would have any material adverse effect on Buyer's ability to perform its obligations under this Agreement.

(f) The execution of this Agreement and the consummation of the transaction contemplated hereby does not and shall not violate the terms of any agreement or court order which is binding upon Buyer.

(g) Neither Buyer nor any of Buyer's direct or indirect members, partners or equity holders is, and none of such parties will be, a person or entity with whom Seller is restricted from doing business under the USA Patriot Act or Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto, including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

17. **Real Estate Broker**. Seller has agreed to pay Patrice Holley, Rocket City Real Estate, LLC as Agent and Broker ("**Seller's Broker**"), three percent (3%) of the Purchase Price, which shall only be earned if the transaction contemplated hereby closes and shall be payable at the Closing. Seller shall indemnify and hold the Buyer harmless against any and all liability, cost, damage and expense (including, but not limited to, reasonable attorneys' fees) which Buyer shall incur because of any claim by any other broker or agent claiming to have dealt with Seller, whether or not meritorious, for any commission or other compensation with respect to this Agreement or to the purchase and sale of the Property in accordance with this Agreement.

Buyer hereby warrants to the Seller that Buyer has not dealt with any broker or agent with respect to the purchase and sale of the Property as contemplated by this Agreement other than Seller's Broker. Buyer shall indemnify and hold the Seller harmless against any and all liability, cost, damage and expense (including, but not limited to, reasonable attorneys' fees) which Seller shall incur because of any claim by any other broker or agent claiming to have dealt with Buyer, whether or not meritorious, for any commission or other compensation with respect to this Agreement or to the purchase and sale of the Property in accordance with this Agreement.

18. **Condemnation**. In the event that, prior to Closing, any part of the Property shall be acquired, taken or condemned for any public or quasi-public use or purpose resulting in an adverse impact upon the Property, then provided Buyer is not in default under this Agreement, Buyer shall have the option to either (i) terminate this Agreement and receive a refund of the Deposits, or (ii) proceed, subject to all other terms, covenants and conditions of this Agreement, to the Closing of the transaction contemplated hereby without a reduction of the Purchase Price and receive an assignment at Closing of Seller's interest in any and all damages, awards or other compensation arising from or attributable to such acquisition or condemnation proceedings.

19. **Casualty.** If any part of the Property is damaged or destroyed by fire or other casualty after the Effective Date, Seller must restore the Property to its previous condition as soon as reasonably possible and not later than ninety (90) days from Effective Date. If, without fault, Seller is unable to do so, Buyer may (i) terminate this Agreement and the Deposits will be refunded to Buyer, or (ii) accept at Closing the Property in its damaged condition, an assignment of any insurance proceeds Seller is entitled to receive along with the insurer's consent to the assignment and a credit to the Purchase Price in the amount of any unpaid deductible under insurance policy for the loss.

20. **Default by Buyer.** In the event of a default by Buyer, and if such default is not remedied within ten (10) business days after written notice to Buyer, then Seller shall have the right, upon written notice to Buyer, to terminate this Agreement, and to receive and recover the Initial Deposit, the Additional Deposit and the Extension Deposit, if any, as liquidated and mutually agreed upon damages; and thereafter, the parties shall be relieved from all further obligations hereunder other than Buyer's indemnification obligations under this Agreement and obligations under any provision of this Agreement which, by its terms, is to survive the termination of this Agreement, and Seller shall have no claim against Buyer for specific performance. The remedy provided for herein shall be Seller's exclusive remedy in the event of a default by Buyer.

21.**Default by Seller.** In the event of a default by Seller, and if such default is not remedied within ten (10) business days after written notice to Seller, then at the option of Buyer, and as Buyer's sole and exclusive remedies: (a) Buyer shall have the right, upon written notice to Seller, to terminate this Agreement whereupon the Initial Deposit, the Additional Deposit and the Extension Deposit, if any, shall be returned to Buyer and thereafter the parties shall be relieved from all further obligations, under this Agreement other than Buyer's indemnification obligations and obligations under any provision of this Agreement which, by its terms, is to survive the termination of this Agreement; or (b) Buyer shall have the right to proceed against Seller in an action for specific performance to force closing. No other action may be taken to recover costs or damages, provided that Buyer shall be entitled to recover its attorney's fees and other costs as provided in Section 31 below in the event that Buyer is the prevailing party in an action for specific performance against Seller.

22. **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto in respect of the subject matter hereof and supersedes any and all other written or oral agreements, representations, documents, memoranda, and understandings between the parties relating to such subject matter.

23.**Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, devisees, personal representatives, successors and permitted assigns.

24.**Survival of Provisions**. All representations, warranties and agreements contained herein shall not, except where survival beyond Closing is specifically provided for in this Agreement, survive the Closing contemplated by this Agreement.

25. **Waiver; Modification**. The failure by the Buyer or Seller to insist upon or enforce any of their rights shall not constitute a waiver thereof, and except to the extent conditions are waived by the express terms of this Agreement, nothing shall constitute a waiver of the Buyer's right to insist upon strict compliance with the terms of this Agreement. Either party may waive the benefit of any provision or condition for its benefit which is contained in this Agreement. No oral modification of this Agreement shall be binding upon the parties and any modification must be in writing and signed by the parties.

26.**Governing Law**. This Agreement shall be governed by and construed under the laws of the State of Florida.

27.**Jurisdiction and Venue**. Each of the parties irrevocably and unconditionally: (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Agreement shall be in the state courts of Brevard County, Florida or the United States District for the Middle District of Florida, Orlando Division; (b) consents to the jurisdiction of such courts in any such suit, action or proceeding; and (c) waives any objection which it may have to the laying of venue in those courts of any such suit, action or proceeding in any of such courts.

28.**Headings**. The section headings as set forth in this Agreement are for convenience or reference only and shall not be deemed to vary the content of this Agreement or limit or enlarge the provisions or scope of any section herein.

29.**Notices**. All notices, requests and consents hereunder to any party, shall be deemed to be sufficient if in writing and (i) delivered in person, (ii) delivered via facsimile or electronic mail with delivery confirmation received, and with the original or a copy of such notice being sent the same day by any other method provided in this Section 29 (e.g., sent via electronic mail and overnight delivery service on the same day), (iii) duly sent by first class, registered or certified mail return receipt requested and postage prepaid, or (iv) duly sent by overnight delivery service, addressed to such party at the address set forth below (or at such other addresses as shall be specified by like notice):

If to Seller: VECTORWORKS MERRITT ISLAND, LLC
Attention: Jeff Gray

801 Marina Road
Titusville, Florida 32796
Email: jgray@vectorworks.com

If to Buyer: MASTERCRAFT BOAT COMPANY, LLC
Attention: George Steinbarger
100 Cherokee Cove Drive
Vonore, Tennessee 37885
Tel.: (423) 884-2221
Fax: (423) 884-2295
Email: george.steinbarger@mastercraft.com

with a copy to:

EGERTON, MCAFEE, ARMISTEAD & DAVIS, PC
Attention: Norman G. Templeton, Esq.
900 S. Gay Street, Suite 1400
Knoxville, Tennessee 37902
Tel.: (865) 546-0500
Fax: (865) 525-5293
Email: ntempleton@emlaw.com

If to Title Company: CANTWELL & GOLDMAN, P.A.
Attention: Mitch Goldman, Esq.
96 Willard Street, #302
Cocoa, Florida 32922
Tel.: (866) 583-9950
Fax: (321) 639-9950
Email: mitch@cfglawoffice.com

All such notices and communications shall be deemed to have been given when transmitted in accordance herewith to the foregoing persons at the addresses set forth above; provided, however, that the time period in which a response to any such notice must be given shall commence on the date of receipt thereof; provided, further, that rejection or other refusal to accept or inability to deliver because of changed address for which no notice has been received shall also constitute receipt. The respective attorneys for Seller and Buyer are authorized to send notices and demands hereunder on behalf of their respective clients. If more than one method of delivery is utilized by the sender, such as delivery of the notice by both electronic mail and overnight delivery service, the notice shall be deemed effective when first delivered.

t shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns. Buyer may assign this Agreement to another party without the consent of Seller. Each of Buyer and Seller shall have the right to assign this Agreement to a qualified intermediary in connection with effecting a tax-deferred exchange under Internal Revenue Code Section 1031, as amended, and in the event either party so elects, the other party shall cooperate in this regard.

›n with any litigation arising out of this Agreement, the prevailing party, whether Buyer or Seller, shall be entitled to recover from the other party all costs incurred, including reasonable attorneys' fees and paralegal charges for services rendered in connection with such litigation, whether incurred before, during or after trial, on appeal, or in conjunction with post-judgment, administrative or bankruptcy proceedings. The provisions of this section shall survive the Closing and any termination of this Agreement.

of the essence with respect to each provision of this Agreement which requires that action be taken by either party within a stated time period, or upon a specified date. Provided however, if the date for performance is on a Saturday, Sunday or Federal holiday, the date for performance shall be extended to the next business day. The provisions of this section shall survive the Closing and any termination of this Agreement.

reto hereby acknowledges that all parties hereto participated equally in the drafting of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than the other.

ent may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures may be transmitted by e-mail (PDF) or facsimile and have the same effect as originals.

party hereby waives any right to a jury trial in connection with any dispute between the parties arising out of or concerning this Agreement or any course of conduct related hereto.

Neither this Agreement, nor any notice of it, shall be recorded in the Public Records of the county in which the Property is located.

thing expressed or referred to in this Agreement will be construed to give any third party any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.

38. **Acceptance of Property in As Is Condition.** BUYER ACKNOWLEDGES AND AGREES THAT SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, AS TO ANY ASPECT OF THE PROPERTY WHATSOEVER, EXCEPT FOR: (I) THE REPRESENTATIONS AND WARRANTIES OF BUYER SET FORTH IN SECTION 15 OF THIS AGREEMENT; AND (II) THE WARRANTY OF TITLE IN THE DEED THAT WILL BE DELIVERED TO BUYER AT CLOSING. NO PERSON ACTING ON BEHALF OF SELLER IS AUTHORIZED TO MAKE, AND BY EXECUTION HEREOF THE BUYER ACKNOWLEDGES THAT NO PERSON HAS MADE (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT), ANY REPRESENTATION, AGREEMENT, STATEMENT, WARRANTY, GUARANTY OR PROMISE REGARDING THE PROPERTY OR THE TRANSACTION CONTEMPLATED HEREIN; AND NO SUCH REPRESENTATION, WARRANTY, AGREEMENT, GUARANTY, STATEMENT OR

PROMISE IF ANY, MADE BY ANY PERSON ACTING ON BEHALF OF SELLER SHALL BE VALID OR BINDING UPON SELLER UNLESS EXPRESSLY SET FORTH HEREIN. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY BUYER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT) AND AGREES (IF BUYER ELECTS TO PROCEED TO CLOSING) TO ACCEPT THE PROPERTY AT THE CLOSING AND WAIVE ALL OBJECTIONS OR CLAIMS AGAINST SELLER (INCLUDING, BUT NOT LIMITED TO, ANY RIGHT OR CLAIM OF CONTRIBUTION) ARISING FROM OR RELATED TO THE PROPERTY. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS OR COMPLETENESS OF SUCH INFORMATION. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENT, REPRESENTATION OR INFORMATION PERTAINING TO THE PROPERTY FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS, WHERE IS" CONDITION AND BASIS WITH ALL FAULTS. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE CLOSING OR ANY TERMINATION HEREOF. “PROPERTY” INCLUDES BOTH THE REAL PROPERTY AND PERSONAL PROPERTY TO BE CONVEYED TO BUYER.

[Signatures on Following Page.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year last below written.

BUYER**:**

MASTERCRAFT BOAT COMPANY, LLC, a Delaware limited liability company

By: /s/ Frederick A. Brightbill

Fred Brightbill, Chairman & CEO

SELLER:

VECTORWORKS MERRITT ISLAND, LLC, a Florida limited liability company

By: /s/ Jeffrey W. Gray
Name: Jeffrey W. Gray
Its: President

-

BROKER

The undersigned each acknowledge and agree to accept payment of the commission as set forth in Section 17 of this Agreement in full satisfaction of all amounts payable to the undersigned in connection with the transaction contemplated by this Agreement.

Rocket City Real Estate, LLC

By:/s/ Holly Carver
Name:Holly Carver
Its:Broker

-

EXHIBIT "A"

LEGAL DESCRIPTION OF THE LAND

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF Brevard, STATE OF FL, AND IS DESCRIBED AS FOLLOWS:

PARCEL I:

A PORTION OF SECTION 12,TOWNSHIP 24 SOUTH, RANGE 36 EAST AND SECTION 7,TOWNSHIP 24 SOUTH, RANGE 37 EAST, BREVARD COUNTY, FLORIDA, BEING ALL THOSE LANDS DESCRIBED IN OFFICIAL RECORDS BOOK 2374, PAGE 1636, 2391 AT PAGE 80, 2391 AT PAGE 1384, 2406 AT PAGE 2146 AND 2647 AT PAGE 2618 ALL OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA, LESS AND EXCEPT ROAD RIGHT-OF-WAY FOR LAMBERT ROAD AS DESCRIBED IN O.R.B. 2596, PAGE 847, THE SUBJECT PARCEL BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE SOUTHEAST CORNER OF SAID SECTION 12; THENCE N0°03'42"W, ALONG THE EAST LINE OF SAID SECTION 12, FOR A DISTANCE OF 250.00 FT. TO THE POINT OF BEGINNING BEING THE SOUTHEAST CORNER OF THOSE LANDS AS DESCRIBED IN OFFICIAL RECORDS BOOK 2406 AT PAGE 2146; THENCE N89°13'18"W, ALONG THE SOUTH LINE OF SAID LANDS AND THE SOUTH LINE OF THOSE LANDS AS DESCRIBED IN OFFICIAL RECORDS BOOK 2647 AT PAGE 2618, FOR A DISTANCE OF 562.03 FT. TO THE SOUTHWEST CORNER OF THOSE LANDS AS DESCRIBED IN SAID OFFICIAL RECORDS BOOK 2647 AT PAGE 2618; THENCE N4°46'42"E, ALONG THE WEST LINE OF SAID LANDS, FOR A DISTANCE OF 885.23 FT. TO THE NORTHWEST CORNER OF SAID LANDS BEING A POINT ON THE SOUTH LINE OF THE CANAVERAL PORT AUTHORITY BARGE CANAL AS RECORDED IN DEED BOOK 329 AT PAGES 572 THROUGH 600 OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA; THENCE N89°46'46"E, ALONG SAID SOUTH LINE ALSO BEING THE NORTH LINE OF O.R.B. 2647, PAGE 2618 AND O.R.B. 2406, PAGE 2146, FOR A DISTANCE OF 487.28 FT. TO A POINT ON THE EAST LINE OF SAID SECTION 12; THENCE N0°03'42"W, ALONG SAID EAST LINE, FOR A DISTANCE OF 50.00 FT. TO THE NORTHWEST CORNER OF THOSE LANDS AS DESCRIBED IN SAID OFFICIAL RECORDS BOOK 2374 AT PAGE 1636 ALSO BEING ON THE SOUTH LINE OF SAID CANAVERAL PORT AUTHORITY BARGE CANAL; THENCE N89°46'46"E, ALONG SOUTH LINE AND THE NORTH LINE OF THOSE LANDS DESCRIBED IN SAID OFFICIAL RECORDS BOOK 2374 AT PAGE 1636, 2391 AT PAGE 80 AND O.R.B. 2391, PAGE 1384, A DISTANCE OF 1200.00 FT.; THENCE THE FOLLOWING THREE (3) COURSES AND DISTANCES ALONG THE EAST LINE OF SAID LANDS AS DESCRIBED IN O.R.B. 2391, PAGE 1384:

1. S0°03'42"E, FOR A DISTANCE OF 675.76 FT.;
2. S4°31'25"W, FOR A DISTANCE OF 50.04 FT.;
3. S0°03'42"E, FOR A DISTANCE OF 266.13 FT. TO THE NORTH LINE OF LAMBERT ROAD DESCRIBED IN O.R.B. 2596, PAGE 847; THENCE S89°47'02"W ALONG SAID NORTH RIGHT-OF-WAY LINE A DISTANCE OF 1121.73 FT. TO A POINT ON THE SOUTHERLY LINE OF AFORESAID PROPERTY DESCRIBED IN O.R.B. 2374, PAGE 1636; THENCE NORTHERLY, ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 66FT., A CENTRAL ANGLE OF 29°09'57" AND CHORD BEARING N14°38'41"W, AN ARC DISTANCE OF 33.60 FT. TO A POINT OF TANGENCY; THENCE THE FOLLOWING TWO (2) COURSES AND DISTANCES ALONG SAID SOUTHERLY LINE OF PROPERTY DESCRIBED IN O.R.B. 2374, PAGE 1636;

1. N0°03'42"W, FOR A DISTANCE OF 82.66 FT.;
2. N89°13'08"W, FOR A DISTANCE OF 66.04 FT. TO A POINT ON THE EAST LINE OF SAID SECTION 12; THENCE S0°03'42"E, ALONG SAID LINE, FOR A DISTANCE OF 66.00 FT. TO THE POINT OF BEGINNING.

PARCEL II:

EASEMENT FOR THE BENEFIT OF PARCEL I AS SET FORTH IN BOOK 2382, PAGE 2427 AND BOOK 2399, PAGE 618, OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA.

PARCEL III:

EASEMENT FOR THE BENEFIT OF PARCEL I AS SET FORTH IN BOOK 2422, PAGE 2457, OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA.

PARCEL IV:

EASEMENT FOR THE BENEFIT OF PARCEL I AS SET FORTH IN BOOK 2647, PAGE 2622 AND ASSIGNED IN BOOK 3796, PAGE 938, OF THE PUBLIC RECORDS OF BREVARD COUNTY, FLORIDA.

EXHIBIT "B"

PROPERTY INFORMATION

1. Copy of most recent survey of the Property.
2. Copies of all current leases, including any modifications, supplements, or amendments.
3. A current inventory of all personal property to be conveyed under this contract and copies of any leases for such personal property.
4. Copies of all previous environmental assessments, geotechnical reports, studies, or analyses made on or relating to the Property.
5. Real and personal property tax statements for the Property for the previous two (2) calendar years.
6. Copies of any appraisals conducted for the Property.
7. Copies of any inspection reports related to the Property.

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 October 4, 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: November 12, 2020

/s/ FREDERICK A. BRIGHTBILL
Frederick A. Brightbill
Chief Executive Officer
(Principal Executive Officer) and Chairman of the Board

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 October 4, 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: November 12, 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 October 4, 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.

November 12, 2020

/s/ FREDERICK A. BRIGHTBILL

Frederick A. Brightbill
Chief Executive Officer
(Principal Executive Officer) and Chairman of the Board

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 October 4, 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.

November 12, 2020

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