West Marine®

For your life on the water®

2014 Proxy Statement & 2013 Annual Report

Our Mission is to be the best supplier of boating-related products and services that provide outstanding value to every Customer.

We are committed to providing an outstanding customer experience, so that every Customer regards us as an exceptional company and rewards us with their business.

We will provide an open, supportive, challenging, team-oriented environment where our Associates can achieve job satisfaction, professional and personal growth, and be compensated based on company and individual performance.

We will work to conserve marine resources, reduce our impact on the environment, and promote boating.

We will achieve superior financial returns for the benefit of our Associates, Customers and Shareholders

Dear West Marine Stockholder:

The past year has been marked with rapid evolution and change. We started the year with unusually cold, rainy and windy weather in many of our markets. While this impacted our ability to meet our original financial goals, we have continued to make great progress with our three key growth strategies: eCommerce, Merchandise Expansion and Store Optimization. These strategies continue to evolve West Marine into a waterlife outfitter by offering broader product selections, a more appealing in-store experience and the ease of omni-channel shopping.

The transition to become a broader waterlife outfitter is essential, given the long-term shifts that are occurring in demographics, boating and the retail industry. The opportunity that we are pursuing with great urgency is to transition West Marine from exclusively a boat parts retailer to an outfitter that serves customers' entire lives on and around the water.

As we transition to this broader waterlife outfitter, we're paying close attention to our customers' experience both online and in-store. Online we're providing value that no other online boating store can provide. We offer an omni-channel retail experience that includes 287 stores, access to the largest pool of inventory in the industry, a large and robust distribution network, the best no-hassle guarantee in the business and free shipping. By providing this value, we grew our domestic eCommerce business by 25% in 2013.

We continue to optimize our store fleet by closing one to three locations and opening a new, larger store in major markets. Store consolidations will continue at a pace of about 10 to 12 new stores this year. In 2013, sales at our stores that were consolidated that year grew 26.4% higher than the stores that they replaced. Additionally, in 2014, we plan to revitalize 20 stores. Store revitalization is a holistic approach that consists of light remodeling, space optimization, product assortment changes, new product category introductions, and Associate training.

Our strategies are working. They're growing West Marine and positioning us to be that broader, waterlife outfitter. And all of this progress happened through the good work of our Associates. West Marine Associates moved the company forward, provided exceptional service to our customers and delivered on our mission. I'm inspired by their focus and commitment.

As we look forward to 2014, the overall theme is to build on the successes of our strategies and accelerate the efforts to achieve a quicker positive impact on our financial results. It's an exciting time and I look forward to reporting on our progress through the coming year.

Good Boating,

Matt Hyde

Matt Hyde
CEO

Dear Fellow Stockholders:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of West Marine, Inc. to be held at our company headquarters, 500 Westridge Drive, Watsonville, California, on Thursday, May 15, 2014 at 10:30 a.m., Pacific Time ("Annual Meeting").

We are pleased to continue utilizing the Securities and Exchange Commission rules that allow us to furnish proxy materials to you over the Internet. We believe that this e-proxy process expedites your receipt of our 2014 Proxy Statement and our 2013 Annual Report on Form 10-K (collectively, "Proxy Materials"), lowers our printing and delivery costs, and helps reduce our impact on the environment. Accordingly, you will receive only a one-page, double-sided notice (the "Notice"), which is being mailed to stockholders on April 4, 2014, regarding the Internet availability of our Proxy Materials. The Notice and Proxy Materials explain the matters indicated below to be voted on at our Annual Meeting and provide you with instructions for accessing the Proxy Materials and for voting in person via the Internet or by phone. The Notice also provides information on how you may obtain paper copies of our Proxy Materials free of charge, if you so choose. Please read the Notice so you will be informed about the business to be considered at the meeting. Your vote is important to us.

On behalf of the Board of Directors, I urge you take advantage of our Internet or telephone voting system as soon as possible, even if you plan to attend the Annual Meeting.

Following are the proposals to be voted upon at the Annual Meeting:

(1) To elect eight directors;

(2) To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending January 3, 2015;

(3) To approve, on an advisory basis, the compensation of our named executive officers; and

(4) To transact such other business as may properly come before the Annual Meeting.

Our Board of Directors recommends that you vote "FOR" each of the proposals (1) through (3).

Sincerely,

Randy

Randolph K. Repass
Chairman of the Board

Watsonville, California

April 4, 2014

West Marine®

Table of Contents

500 Westridge Drive
Watsonville, California 95076-4100
(831) 728-2700

PROXY STATEMENT

2014 Annual Meeting of Stockholders

I. GENERAL INFORMATION

Q: Why am I receiving these materials?

A: We have made the Proxy Materials available to you on the Internet or, upon your request, have delivered printed versions of the Proxy Materials to you by mail, in connection with soliciting your proxy to vote at our Annual Meeting.

Q: What is included in these materials?

A: The Proxy Materials consist of:

- This proxy statement for our Annual Meeting ("Proxy Statement");
- Our Annual Report on Form 10-K for our fiscal year ended December 28, 2013 ("Annual Report"); and
- For those receiving printed versions, a proxy card.

Q: What does fiscal year mean?

A: Our fiscal year is the 52 or 53-week period that ends on the Saturday closest to December 31st. Unless otherwise stated, all information presented in this Proxy Statement is based on our fiscal year.

Q: What items am I being asked to vote on at the Annual Meeting?

A: Our stockholders will vote on three proposals at the Annual Meeting ("Proposals"):

- Election to our Board of Directors ("Board"or, each member individually, a "Director") of the eight Director nominees named in this Proxy Statement;
- Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm ("Independent Auditors") for our fiscal year ending January 3, 2015; and
- Approval, on an advisory basis, of the compensation of our Named Executive Officers (or "NEOs").

Q: What are the Board's voting recommendations?

A: Our Board recommends that you vote "FOR" each of the Proposals.

Q: Why did I receive a one-page Notice in the mail regarding the Internet availability of Proxy Materials instead of a full set of Proxy Materials?

A: Under rules adopted by the Securities and Exchange Commission ("SEC"), we use the Internet as the primary means of furnishing our Proxy Materials to our stockholders, rather than mailing printed copies to each stockholder. We encourage our stockholders to take advantage of the availability of Proxy Materials on the Internet to help reduce costs associated with, and the environmental impact of, our Annual Meeting. Our Proxy Materials were first available for our stockholders to access online at *www.envisionreports.com/wmar* on April 4, 2014.

Q: How can I get electronic access to the Proxy Materials or a paper copy if I prefer?

A: The Notice provides you with instructions regarding how to view our Proxy Materials on the Internet and if you so choose, how to instruct us to send these and future Proxy Materials to you by email. Alternatively, you can request a paper copy of the Proxy Materials. Requests for email or paper copies must be made by May 5, 2014 to facilitate timely delivery. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. If you choose to receive a paper copy of the Proxy Materials, you also can submit a preference to receive paper copies for future meetings. Your election to receive an email or a paper copy of proxy materials for future meetings will remain in effect until you change it.

Q: Where and when is the Annual Meeting?

A: Our Annual Meeting will be held at our corporate headquarters located at 500 Westridge Drive, Watsonville, California 95076, on May 15, 2014 at 10:30 a.m. Pacific Time.

Q: Who may vote at the Annual Meeting?

A: Only stockholders who owned shares of our common stock on March 17, 2014 ("Record Date") are entitled to vote at our Annual Meeting. On the Record Date, there were 24,364,884 shares of our common stock outstanding and entitled to vote.

Q: Is there a difference between a stockholder of record and a beneficial owner of shares held in street name?

A: Yes

Stockholder of Record: Shares Registered in Your Name. If, at the close of business on the Record Date, your shares were registered directly in your name with our transfer agent, Computershare Investor Services, LLC, you are considered the stockholder of record with respect to those shares, and the Notice (or Proxy Materials, if you requested a paper copy) was sent directly to you.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent. If, at the close of business on the Record Date, your shares were not held in your name, but rather in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and a Notice should have been forwarded to you by that organization. That organization is considered to be the stockholder of record for voting purposes and as the beneficial owner, you may instruct that organization on how to vote the shares in your account. Those instructions are contained in a "vote instruction form" that the organization holding your shares should send to you. We urge you to complete that form, particularly since, as noted below, the organization holding your shares cannot vote on non-routine matters, such as the election of our Director nominees, without your express authorization. Your vote is important.

Q: If I am a stockholder of record, how do I vote?

A: If you are a stockholder of record, there are four ways to vote:

- **VIA THE INTERNET** at www.envisionreports.com/wmar by following the instructions provided in the Notice;
- **BY TELEPHONE** using a touch-tone telephone at 1-800-652-8683;
- **BY MAIL** if you requested printed copies, by completing, signing and returning your proxy card to us in the postage-paid envelope provided with the Proxy Materials; or
- **IN PERSON** at the Annual Meeting. We will give you a ballot when you arrive.

If you vote by telephone or over the Internet, you must do so by 11:00 p.m. Pacific time the day before our Annual Meeting and you may incur costs such as telephone and Internet access charges for which you will be responsible. Delaware law permits electronically transmitted proxies, provided that each such proxy contains, or is submitted with, information from which the inspector of election can determine that such proxy was authorized by the stockholder. We use a control number to authenticate each registered stockholder, to allow stockholders to vote their shares, and to confirm that their instructions have been properly recorded. If you choose to vote by mail, your vote must be received by 10:00 a.m., Pacific Time, on May 15, 2014.

Q: What constitutes a quorum and why is a quorum required?

A: Return of your proxy is important because a quorum is required, and a majority of the shares entitled to vote must be present in person or by proxy at our Annual Meeting for the transaction of business. Your shares will be counted for purposes of determining if there is a quorum if you are entitled to vote and you are present in person at the Annual Meeting or, if you have properly voted on the Internet, by telephone or by submitting a proxy card or vote instruction form by mail. Proxies received but marked as abstentions, if any, will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes. In addition, because this Proxy Statement includes a "routine" management Proposal related to the ratification of the selection of our Independent Auditors, shares represented by proxies that vote on routine matters, but not on non-routine matters, also will be counted in determining whether there is a quorum present.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

Q: How are proxies voted?

A: All shares represented by valid proxies received prior to our Annual Meeting will be voted and, where a stockholder specifies his or her choice with respect to any Proposal, the shares will be voted in accordance with those instructions.

Q: What happens if I do not have specific voting instructions?

A: Stockholders of Record. If you are a stockholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board, or if you sign and return a proxy card without giving specific voting instructions, then the persons named as proxy holders, Randy Repass and Matt Hyde, will vote your shares in the manner recommended by our Board on all Proposals and they may determine in their discretion with respect to any other matters properly presented for a vote at our Annual Meeting.

Beneficial Owners of shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, then under applicable rules, the organization that holds your shares may generally vote on "routine" matters but cannot vote on "non-routine" matters. As a result, if that organization does not receive voting instructions from you on a non-routine matter, it will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This generally is referred to as a "broker non-vote."

Q: Which Proposals are considered "routine" or "non-routine"?

A: Under applicable rules, the ratification of the selection of our Independent Auditors for 2014 is a matter considered routine, but the election of Directors and the non-binding advisory resolution approving the compensation of our NEOs (commonly referred to as "Say-on-Pay") are matters considered “non-routine.”

Q: What is the voting requirement to approve each Proposal?

A: Of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote, the affirmative majority of votes cast is required to approve each Proposal.

Q: How are broker non-votes and abstentions treated?

A: Only “FOR” and “AGAINST” votes are counted and, therefore, broker non-votes and abstentions will have no effect on the vote.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You may revoke your proxy and change your vote at any time before the final vote at our Annual Meeting by changing your vote on a later date via the Internet or by telephone, by signing and returning a new proxy card or vote instruction form with a later date, or by attending our Annual Meeting and voting in person. Your attendance alone will not automatically revoke your proxy unless you properly vote at our Annual Meeting or specifically request that your prior proxy be revoked by delivering to our Secretary, at 500 Westridge Drive, Watsonville, CA 95076-4100, a written notice of revocation prior to the Annual Meeting.

Q: Who will serve as the inspector of election?

A: A West Marine representative will serve as the inspector of election.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the company or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation and certification of votes and to facilitate a successful proxy solicitation.

Q: Where can I find the voting results of the Annual Meeting?

A: The preliminary voting results will be announced at our Annual Meeting and the final voting results will be tallied by our inspector of election and published in a Current Report on Form 8-K.

Q: Who is paying for the cost of this proxy solicitation?

A: West Marine will pay all expenses in connection with the solicitation of this proxy, including the charges of brokerage houses and other custodians, nominees or fiduciaries for forwarding documents to stockholders.

Q: What is the deadline to propose actions for consideration or to nominate individuals to serve as Directors at the 2015 annual meeting of stockholders?

A: *Requirements for Stockholder Proposals to Be Considered for Inclusion in the company's Proxy Materials*.

We anticipate that our 2015 annual meeting of stockholders (“2015 Annual Meeting”) will be held in May 2015. Any stockholders who intend to present proposals at, and who wish to have them included in the proxy statement for, the 2015 Annual Meeting must ensure that such proposals are addressed to West Marine at the address stated above and received no later than December 4, 2014. In addition, all proposals will need to comply with our Bylaws and Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which lists the requirements for the inclusion of stockholder proposals in company-sponsored proxy materials.

Requirements for Stockholder Proposals to Be Brought Before the 2015 Annual Meeting and Director Nominations.

Any stockholder proposals that a stockholder intends to present at the 2015 Annual Meeting, other than through the inclusion in the proxy materials, should be received no earlier than 90 days and no later than 120 days prior to the corresponding date on which the annual proxy statement is mailed in connection with our most recent annual meeting. Any stockholder wishing to submit a proposal at the 2015 Annual Meeting must include the information required by our Bylaws.

Q: May I request a printed copy of the Annual Report?

A: We will provide upon request and without charge to each stockholder receiving the Notice or a paper copy of the Proxy Materials a copy of our Annual Report. Copies can be obtained by writing to our Secretary at 500 Westridge Drive, Watsonville, California, 95076.

II. DIRECTOR MATTERS

PROPOSAL #1: ELECTION OF DIRECTORS

Under the Bylaws of West Marine, Inc. ("West Marine" or the "Company"), our Board has the authority to determine the size of the Board and to fill vacancies. Currently, our Board is comprised of eight Directors who serve one-year terms and are elected to hold office until their successors are elected and qualified, or until resignation or removal in the manner provided in our Bylaws.

The eight Directors named below are nominees for election at this year's Annual Meeting and each is currently a Director who was elected by stockholders at our 2013 Annual Meeting of Stockholders.

Our Board has no reason to believe that any nominee for Director would be unable or unwilling to serve as a Director if elected. If at the time of the Annual Meeting, or any adjournment thereof, any nominee is unable or unwilling to serve as a Director, the persons named as proxies intend to vote for such substitute nominee as may be nominated by our Nomination and Governance Committee and approved by our Board or as otherwise directed by our Board, unless directed by the stockholder to do otherwise.

DIRECTOR QUALIFICATIONS AND EXPERIENCE; DIRECTOR NOMINEES

West Marine requires its Directors to possess the experience and skills necessary to oversee the management of the Company in the interest of West Marine and its stockholders. Our Nomination and Governance Committee and our Board will consider, among other factors, the experiences, qualifications, attributes and skills of each new candidate or incumbent Director in nominating them for election at each annual meeting. For more information see "Director Nomination Guidelines and Process" under "Corporate Governance Framework" below.

The following chart sets forth the description of each Director nominee for election at our Annual Meeting, including his or her biographical information, qualifications and skills considered and each nominee's current occupation, employment history, business experience, public company director positions held and information regarding involvement in certain legal or administrative proceedings, if applicable, that caused our Nomination and Governance Committee to recommend, and our Board to conclude, that each Director should serve on the Board.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
Randolph K. Repass **Director since:** 1968 **Age:** 70	• Chairman of the Board ("Chairman") • Does not serve on any Committees	None	**Experience** Mr. Repass has served as Chairman since 1968. He served as West Marine's Chief Executive Officer, from 1968 to April 1995 and from July 1998 to November 1998, and as President, from 1968 to 1990 and from August 1993 to March 1994. **Qualifications for Board Service** Mr. Repass, as the founder of West Marine and one of its major stockholders, defines the Company and its mission statement and values. He is being re-nominated as a Director because his vision, knowledge of the industry, understanding of the business and our customers' needs, combined with his strategic insight, are invaluable in guiding our Board and management in realizing our mission, in balancing short and long term goals, and in enhancing value for all of our stockholders. **Boating Experience** Mr. Repass has an extensive boating background including sailboat racing and cruising on sail and power boats.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
Matthew L. Hyde **Director since:** 2012 **Age**: 51	•Inside Director • Chief Executive Officer ("CEO") and President • Does not serve on any Committees	**Zumiez Inc.** • Board Member • Member - Governance/ Nominating Committee • Member - Compensation Committee	**Experience** Mr. Hyde has served as our CEO and President since June 2012. Previously, he was the Executive Vice President of Recreational Equipment Inc. ("REI"), a retailer and online merchant of outdoor gear and equipment. Beginning his career with REI in 1986, Mr. Hyde held various positions, and just prior to joining West Marine, as their Executive Vice President, he oversaw the marketing, e-commerce and direct sales, real estate, store development, retail and customer experience functions. Mr. Hyde previously led REI's online division, championing its award-winning omni-channel strategy. **Qualifications for Board Service** Mr. Hyde's specialty retail background, along with his online retail, brand-building, marketing, merchandising and operational expertise, provide valuable insight to our Company and our Board. In addition, Mr. Hyde's service on the Board of a leading multi-channel specialty retailer of action sports related apparel, footwear, equipment and accessories not only aligns well with West Marine's merchandise expansion strategy, but also provides comparative expertise for our operational plans as well as for our compensation and leadership development programs. **Boating Experience** Mr. Hyde has been boating all of his life. From fishing with his family on a wooden skiff, to kayaking, to an annual trek to Alaska to go salmon fishing, Mr. Hyde loves all things outdoors.
Dennis F. Madsen **Director since:** 2010 **Age:** 65	• Independent Director • Chair -Compensation and Leadership Development Committee • Member -Nomination and Governance Committee	**Alaska Air Group (including subsidiaries: Alaska Airlines & Horizon Airlines)** • Board Member • Member - Compensation and Leadership Development Committee • Member - Audit Committee	**Experience** Mr. Madsen served as President and Chief Executive Officer from April 2000 to March 2005, of REI. Mr. Madsen also served as REI's Executive Vice President and Chief Operating Officer from 1987 to March 2000, and prior to that, held numerous positions throughout REI. **Qualifications for Board & Committee Service** Mr. Madsen is being re-nominated as a Director because, among his other qualifications, he has demonstrated proven leadership capability and knowledge of the complex operational and financial issues facing an organization such as West Marine. His experience on other public company boards and in leading a customer-service driven organization, and his knowledge of compensation and governance trends and best practices, also makes him a valuable contributor in all operational risks and strategies facing West Marine, and in executive compensation and leadership development. **Boating Experience** Mr. Madsen has spent the last 23 years sailing throughout the Pacific Northwest and Canadian waters. Previously spending five years as a live-aboard, Mr. Madsen has a keen understanding of boater needs and lifestyle.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
Barbara L. Rambo **Director since:** 2009 **Age:** 61	• Independent Director • Chair- Nomination and Governance Committee • Member - Compensation and Leadership Development Committee • Member-Audit and Finance Committee • Lead Independent Director	**PG&E Corporation** • Board Member • Chair - Finance Committee • Member - Compensation Committee • Member - Nominating and Governance Committee **International Rectifier Corporation** • Board Member • Member - Compensation Committee • Member - Nominating and Governance Committee.	**Experience** Since October 2009, Ms. Rambo has served as the Chief Executive Officer of Taconic Management Services, a management consulting and services company. Prior to joining Taconic Management Services, she was Chief Executive Officer, Vice Chair and a director of Nietech Corporation (payments technology company) during the period 2001 to 2009, and Chief Executive Officer of OpenClose Technologies (financial services technology company) during the period 2000 to 2002. Ms. Rambo previously held various executive and management positions at Bank of America, including head of national commercial banking. She has developed skills in corporate finance, capital markets, sales, strategic planning, marketing, operations and executive management. **Qualifications for Board & Committee Service** Ms. Rambo is being re-nominated as a Director because of the depth of her executive management and leadership experience with companies in the financial services and technology sectors and her experience on other public company boards. She brings a wealth of knowledge in corporate governance and risk management practices, which enables her to serve as a member of our Audit and Finance and Compensation and Leadership Development Committees, as Chair of our Nomination and Governance Committee and as our Lead Independent Director. **Boating Experience** Ms. Rambo is a sculler and sails in San Francisco and the Caribbean.
Alice M. Richter **Director since:** 2005 **Age: 60**	• Independent Director • Chair - Audit and Finance Committee • Member - Nomination and Governance Committee	**G&K Services, Inc.** • Board Member • Chair - Audit Committee	**Experience** Ms. Richter was a certified public accountant with KPMG LLP for 26 years, until her retirement in June 2001. She joined KPMG's Minneapolis office in 1975 and was admitted to the KPMG partnership in 1987. During her tenure at KPMG, Ms. Richter served as the National Industry Director of KPMG's U.S. Food and Beverage practice and also served as a member of the Board of Trustees of the KPMG Foundation from 1991 to 2001. **Qualifications for Board & Committee Service** Ms. Richter is being re-nominated as a Director because with her long career in public accounting and expertise in the accounting and finance areas, including a client-base in the retail industry, her experience in international operations, her service on another public company board, and her experience in reviewing internal controls, tax saving strategies, potential fraud, acquisitions and reorganizations, she possesses a keen understanding of complex financial accounting issues which provides the Board with an overall business and financial leadership perspective. In addition, Ms. Richter has vast experience in financial planning and investment and capital structure strategies, along with risk management and compliance matters, which enables her to make valuable contributions in her role as Chair of our Audit and Finance Committee. In 2012, Ms. Richter received her Board Leadership Fellow certification from the National Association of Corporate Directors. **Boating Experience** Ms. Richter is an avid water skier and an enthusiastic angler - particularly for freshwater walleye. She is never far from a boat.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
Christiana Shi **Director since:** 2011 **Age:** 54	• Independent Director • Member - Audit and Finance Committee • Member - Compensation and Leadership Development Committee	None	**Experience** Ms. Shi has been the President of NIKE Global Direct-to-Consumer since July of 2013. In this role, Ms. Shi leads all of NIKE's retail business around the world, including digital commerce, NIKE Stores, and NIKE Factory Stores and partner retail. Prior to this, from April 2012 through June 2013, Ms. Shi served as Vice President and General Manager of NIKE, Inc. Global E-Commerce. In that role, she was responsible for the performance and growth of Nike.com around the world, including merchandising, experience design, consumer services, and digital commerce technology. From November 2010 through March 2012, Ms. Shi was the Vice President and Chief Operating Officer of NIKE, Inc.'s global direct-to consumer division. In this role, she was responsible for the division's global store, real estate, finance, information technology and supply chain operations. From 2000 to 2010, Ms. Shi was director and senior partner of McKinsey & Company, Inc., a global management consulting firm, and she was a principal (partner) at McKinsey from 1994 to 2000. Prior to 1994, she held numerous positions throughout McKinsey. From 1981 to 1984, Ms. Shi also held numerous positions at Merrill Lynch & Company, Inc. **Qualifications for Board & Committee Service** As Vice President and General Manager of Nike's global e-commerce business, her past roles as Chief Operating Officer of NIKE, Inc.'s direct-to-consumer division, and as a former senior partner at McKinsey & Company, Ms. Shi has a unique global perspective acquired through 20 years of work on four continents across an extensive array of consumer brands and retail operations. Further, her expertise in global retail expansion, category strategy, new concept development, store operations, inventory management, performance transformation and the direct/e-commerce business makes her well-qualified to serve on our Board and as a member of our Audit and Finance Committee and our Compensation and Leadership Development Committee. **Boating Experience** Ms. Shi is an enthusiastic sailor and boater.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
James F. Nordstrom, Jr. **Director since:** 2012 **Age:** 41	• Independent Director • Member- Compensation and Leadership Development Committee	None	**Experience** Mr. Nordstrom has been Executive Vice President and President of Nordstrom Direct for Nordstrom, Inc. since February 2005. His position supports Nordstrom.com, mobile, catalogs and fulfillment center operations. He previously served as Corporate Merchandise Manager - Children's Shoes from May 2002 to February 2005, and as a project manager for the design and implementation of Nordstrom's inventory management system from 1999 to May 2002. Mr. Nordstrom is a great-grandson of the company founder and has been employed by Nordstrom's since 1986. **Qualifications for Board & Committee Service** Mr. Nordstrom is being re-nominated to the Board because his e-commerce insights and expertise, coupled with his extensive executive and operational experience, provides us with information and advice on leadership development and compensation matters relevant to the retail industry. In addition, as one of the industry's leading spokesmen, Mr. Nordstrom's expert guidance is sought by our management and Board on omni-channel retailing as we continue to evolve and grow our business. Additionally, his senior executive status provides our Compensation and Leadership Development Committee with key insights into relevant compensation practices in the retail industry and in executive development. **Boating Experience** Mr. Nordstrom grew up boating in the San Juan Islands and British Columbia with his family, and has continued that tradition with his wife and children aboard their 36 foot sports fisher.

Name, Years of Service & Age	Position with West Marine	Other Public Company Board / Committee Service	Experience, Qualifications and Other Information
Robert D. Olsen **Director since:** 2013 **Age:** 61	• Independent Director • Member- Audit and Finance Committee	None	**Experience** Between 2000 and his retirement in January of 2013, Mr. Olsen worked in numerous roles at AutoZone, Inc. Most recently Mr. Olsen served as Corporate Development Officer, Customer Satisfaction. In this role, he was responsible for the Mexico and ALLDATA businesses and strategic growth initiatives that included AutoZone's store expansion into Brazil and ALLDATA's entry into Europe. He previously served as Executive Vice President, Store Operations, Commercial, Mexico and ALLDATA from 2007 to 2009, as Executive Vice President, Supply Chain, IT, Mexico and Store Development from 2005 to 2007, as Senior Vice President, Mexico and Store Development from 2001 to 2005, and as Senior Vice President, Planning and Store Development from 2000 to 2001. Prior to that, Mr. Olsen was Executive Vice President and Chief Financial Officer for Leslie's Poolmart, a specialty retailer of swimming pool supplies and accessories from 1993 to 2000. From 1990 to 1993 he served as Executive Vice President and Chief Financial Officer of Tuneup Masters, a California-based chain of quick tuneup and lube outlets. Prior to that, he held various positions at AutoZone, including the role of Senior Vice President, Finance Administration and Chief Financial Officer, and at Pepsico. **Qualifications for Board & Committee Service** Mr. Olsen is being re-nominated to our Board because, in addition to his broad based retail operational experience, he brings a hard goods retailing perspective to the Board. In addition, Mr. Olsen's recent experience with compensation and management succession planning activities at AutoZone, together with his experience in team and leadership development planning, are valuable to our Board in its focus on these areas. Additionally, Mr. Olsen's prior experience as a Chief Financial Officer makes him well qualified to serve on the Board's Audit and Finance Committee and is our second financial expert. **Boating Experience** Mr. Olsen enjoys pleasure boating and fishing with his family and friends at his home on Pickwick Lake in Tennessee.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR"
THE ELECTION OF EACH OF THE EIGHT DIRECTOR NOMINEES NAMED ABOVE.

DIRECTOR NOMINATION GUIDELINES & PROCESS

In recommending Director nominees, our Nomination and Governance Committee has developed certain general and specific guidelines to assist in developing a Board and its standing committees (each, a "Committee") that are comprised of experienced and seasoned advisors. Generally, each Director should: be an individual of high character and integrity in their personal and professional life; have experience that is of particular relevance to the Company; be committed to overseeing and fostering sound, long-term growth and has previously demonstrated the exercise of good business judgment; and have the ability and willingness to devote the necessary amount of time to the affairs of the Company. Our Nomination and Governance Committee also evaluates candidates based on specific criteria including, without limitation, a Director's experience with businesses and other organizations of comparable size and industry sector, the interplay of the candidate's experience with the experience of other Board members, financial literacy, boating experience and special talents or personal attributes, which would make the candidate a desirable addition to the Board and any Committee. As well, the candidate's independence, skills, expertise and corporate experience, the current composition of our Board, the balance of management and independent Directors and the needs for any Committee expertise are considered. Although our Nomination and Governance Committee does not have a formal diversity policy, it believes that diversity (including factors such as race, ethnicity, gender, age and geographic orientation, as well as diversity of opinions, perspectives, and professional and personal experience) is an important factor in determining the composition of the Board. Our current Director demographic composition includes three women, Messes. Richter, Rambo and Shi, all of whom bring gender diversity to our Board along with their business experience and expertise.

When evaluating a current Director for re-nomination, the Board also will consider, among other factors, the length of service, attendance, preparedness, participation and candor of the individual, as well as the individual's recent service as a Director in light of the above-mentioned criteria.

Various potential candidates for Director may come to the attention of our Nomination and Governance through current Board members, professional search firms, our associates, stockholders or other industry sources. Candidates are evaluated at regular or special Committee meetings and may be considered at any time during the year. No third party search firms were used in connection with any director nominations and, therefore, no fees were paid.

DIRECTOR NOMINATION PROCESS & PROCEDURES

As to each candidate that our Nomination and Governance Committee believes merits consideration, the Committee will: gather information concerning the background, qualifications and appropriate references of the candidate, including information concerning the candidate required to be disclosed in the proxy statement under the SEC rules, and any relationship between the candidate and the person or persons recommending the candidate; determine if the candidate satisfies the qualifications set forth above; conduct interviews with the candidate and Board members and, as deemed appropriate, with our Executives; and conduct reference and background checks and review independence questionnaires completed by the candidate to ensure that he/she meets the requirements to be an independent Director for service on the Board or any of its Committees and that the candidate's positions do not conflict in any material way with West Marine's business.

Following the completion of this evaluation and interview process, our Nomination and Governance Committee, after consultation with our Chairman, will then meet to evaluate and finalize the Committee's list of recommended candidates for the Board's consideration, and our Board determines the nominees after considering such recommendation.

ELECTION AT ANNUAL MEETING

Our Bylaws permit our Board to change its size and to appoint Directors between annual stockholder meetings. Our Committee uses the same process to evaluate whether to re-nominate incumbent directors who, along with new nominees, must stand for re-election by our stockholders at each annual meeting.

STOCKHOLDERS PROPOSALS

Our Nomination and Governance Committee also will consider qualified nominees recommended by stockholders who may submit recommendations to our Secretary at West Marine, Inc., 500 Westridge Drive, Watsonville, CA 95076. Nominees for Director who are recommended by our stockholders will be evaluated in the same manner as any other nominee for Director.

Any stockholder of the Company may nominate one or more persons for election as a director of the Company at an annual meeting if the stockholder complies with the required notice, information and consent provisions contained in the Company's Bylaws. Our Nomination and Governance Committee may require that the proposed nominee furnish the Committee with other information as it may reasonably request to assist it in determining the eligibility of the proposed nominee to serve as a Director. See also the "General Information - Q&A: What is the deadline to propose actions for consideration or to nominate individuals to serve as Directors at the 2015 annual meeting of stockholders?" Our Secretary will send a copy of the Bylaws to any interested stockholder who requests them.

To date, no stockholder who is not also a Director, or any group of stockholders owning more than 5% of West Marine's common stock for at least one year, have put forth any Director nominees or other stockholder proposals.

RISK MANAGEMENT OVERSIGHT

We are subject to a variety of risks, which generally include any undesired event or outcome that could affect our ability to achieve our strategic objectives or adversely impact our business, operations or financial condition. Some risks can be readily perceived and even quantified, while others are unexpected or unforeseeable.

Recognizing that it is neither possible nor prudent to eliminate all risk, we have a comprehensive, structured approach to evaluating risks, which are identified, assessed, prioritized and managed at all levels within the Company through an enterprise risk management process. Under this framework, management is responsible for assessing our risk tolerance and managing exposure to risks and our Board and its Committees oversee and review certain aspects of our risk management efforts throughout the year, particularly when reviewing operating and strategic plans and when considering specific actions for approval. We believe the division of risk management responsibilities described below is an effective approach for addressing the risks facing West Marine.

Management

- Periodically performs an enterprise risk assessment designed to assist in the identification, assessment and monitoring of high risk areas, including, without limitation, strategic, financial, operating and regulatory compliance risks, and to share information and efforts to mitigate these risks;
- Formed several steering committees/advisory boards, including a real estate steering committee to monitor our real estate optimization strategy and an information technology advisory board to oversee our overall IT strategy, which includes capital expenditures and capital project management; and
- Established a number of other policies including a *Delegation of Authority Policy* and a *Contract Review and Signing Authority Policy*, which provide proper levels of review and control of expenditures designed to safeguard assets, to minimize risks and to ensure the appropriate segregation of duties.

Full Board

- Provides risk oversight by reviewing our strategic business plans, which includes evaluating the objectives of and risks associated with, these plans and their potential impact (e.g., competitive, industry, economic, financial and other operating risks); and
- Reviews other significant risks, such as pending or threatened litigation, business development risks, brand reputation, competition, pricing, budgeting and overall policies and practices for enterprise risk management.

Audit and Finance Committee

- Discusses with management compliance, regulatory, financial (including credit, tax and liquidity risks and risk of fraud) and operational risk exposures, financial statement, internal control and reporting risks, regulatory compliance risks, technology infrastructure and security risks, and risks related to supply chain operations, product quality and offshore sourcing) and the steps management has taken to monitor and control such risks;
- Monitors risk related to our internal accounting staff, our Internal Auditor and our Independent Auditors;
- Meets periodically with management to review our major financial exposures and the steps management has taken to monitor and control such exposures;
- Reviews and approves related party transactions; and
- Monitors our administration of our *Whistleblower Policy and Procedures*.

Nomination and Governance Committee

- Coordinates the risk oversight activities of the Board's Committees, including determination of which Committee has oversight responsibilities for specific enterprise risks;
- Manages risks associated with corporate governance, including risks associated with Board leadership, independence and effectiveness;
- Monitors stockholder outreach efforts; and
- Monitors compliance with our *Code of Ethics* and *Governance Principles*, including risks associated with potential conflicts of interest affecting our Directors and Executives.

Compensation and Leadership Development Committee

- Monitors risks arising from our compensation policies and programs, including incentive compensation to determine and monitor whether they encourage excessive risk-taking;
- Oversees risks related to Executive recruitment, assessment, development, retention, performance management and succession planning to ensure that we attract and retain a pool of qualified associates to accommodate future growth; and
- Monitors risks related to specific regulatory compliance matters relating to matters over which the Committee has oversight responsibility, including compliance with ERISA, HIPAA and labor laws, rules and regulations.

STOCKHOLDER COMMUNICATIONS

STOCKHOLDER ENGAGEMENT

Because our stockholders are key participants in the governance of our Company, we continually seek to expand our outreach efforts to better understand our stockholders' views and concerns about our strategic direction, financial performance and key governance matters. We provide multiple avenues for our stockholders to communicate with our Executives and our Board.

- In 2013, our stockholder outreach efforts included active dialog with investors and proxy advisory firms on corporate governance issues.
- We continued our annual "Say-on-Pay" vote and the results reflect stockholder approval of Executive compensation policies and programs. For more information on last year's voting results see the "Executive Summary - 2013 Say-on-Pay Results and Stockholder Outreach" under the "Compensation Discussion and Analysis" section.
- We issue annual guidance and host quarterly earnings calls to discuss our results of operations and progress made on our strategic growth initiatives.
- We maintain a Corporate Governance section on our website that provides current information, such as our governance policies and practices, a link to real time filings with the SEC and the ability for investors and other interested parties to receive automatic email notification of all such filings.

STOCKHOLDER COMMUNICATION POLICY & PROCESS

West Marine has developed the following policy statements: *Internal Process for Handling Communications to Directors (Non-Audit and Finance Committee)* and *Internal Process for Handling Communications to the Audit and Finance Committee.* These policy statements describe West Marine's process for collecting, organizing and relaying communications from its associates, stockholders and other interested parties to members of the Board or members of the Board's Committees. A copy of each director communication policy statement is available on our website at http://www.westmarine.com/ under "Investor Relations," or a printed copy can be obtained by writing to our Secretary.

Our Secretary will summarize all correspondence, if any, directed to our Board and forward summaries to the Board if and when such correspondence is received (Directors may, at any time, request copies of any such correspondence); communications may be addressed to the attention of the Board, a Committee of the Board, or any individual member of the Board or a Committee; communication that is primarily commercial in nature or relates to an improper or irrelevant topic may be filtered out and disregarded (without providing a copy to the Directors or advising them of the communication), or may otherwise be handled in the Secretary's discretion; and our Secretary may handle routine business communications and will provide a copy of the original communication to our Chairman (or to our Lead Independent Director, or to the Chair of the appropriate Committee) and advise such Director of any action taken. Communications can be sent by e-mail to the Board at bod@westmarine.com or by writing to our Secretary at West Marine, Inc., 500 Westridge Drive, Watsonville, California 95076.

GOVERNANCE PRINCIPLES & CODE OF ETHICS

Our *Governance Principles* provide the framework for corporate governance matters and cover areas such as Director responsibilities and qualifications, management leadership and succession, and Board access to management. Our *Governance Principles* are reviewed at least annually by our Board to assess the adequacy of its provisions and compliance with regulations. Management and the Board periodically review our governance policies and practices, monitoring changes in the law and developments in this area by various authorities active in governance.

Our *Code of Ethics* (also known as *Living Our Values*) applies to all of our Directors and associates, including our Senior Financial Officers (which covers our CEO, Chief Financial Officer ("CFO"), Controller, Assistant Controller and other associates performing similar functions) and includes provisions regarding proper business conduct and ethics ranging from restrictions on gifts, compliance with applicable law and avoidance of conflicts of interest. We intend to disclose any amendments (other than technical, administrative or non-substantive amendments) to, and any waivers from, a provision of the *Code of Ethics* for Directors or NEOs. To date no such disclosures have been made.

Our *Governance Principles* and *Code of Ethics* are available, free of charge, on our website at http://www.westmarine.com under "Investor Relations" and are available in print to any stockholder who submits a written request to our Secretary.

OTHER KEY GOVERNANCE PRACTICES

(Also see "Key Features of Our Executive Compensation Program" under the "Compensation Discussion and Analysis" Section)

☑	Bylaws require separation of CEO and Chairman roles: *CEO is responsible for setting our strategic direction and the day-to-day leadership and performance goals *Chairman provides guidance to the CEO, sets the agenda for Board meetings and generally presides over meetings of the full Board	☑	Appointed a lead independent Director due to affiliated chairman. Duties include: * Collaborate with Chairman and CEO on agendas for Board Meetings * Call, set agendas and lead executive sessions of independent Directors * Liase between Chairman, CEO and/or independent Directors * Be available for stockholder consultations
☑	Bylaws require Director resignation if he/she fails to receive a majority vote	☑	38% of our Board members are women
☑	Term for all Directors set at one year	☑	No classified or staggered Board
☑	Average tenure of our Board assuming election in 2014: * 9 years including our Chairman and founder * 4 years exclusive of Chairman	☑	CEO may not serve as a Director on more than one other public
☑	Bylaws have a simple majority voting standard for all matters, including: * Bylaw and Charter amendments * Actions by special meeting * Mergers and acquisitions	☑	Board members, by policy, may not serve on more than four public companies
☑	* Action may be taken by written consent of stockholders * No material restrictions on right to call special meetings	☑	No poison pill provision
☑	* Stock ownership required of all Directors by policy * All Directors with more than one year of service own stock	☑	No pension plans or other retirement plans for Directors
☑	* No mandatory age or term limits * Board and Committee performance is evaluated annually	☑	Company does not have a dual-class or super-voting stock
☑	Directors attend continuing education programs	☑	New Director orientation program: * Outlines Board role and responsibilities; * Provides an overview of the Company's operations; and * Provides Directors with opportunities to meet with our management team
☑	Board and Committees actively oversee enterprise risk matters (See "Risk Management Oversight")	☑	Non-audit-related services/fees are reasonable relative to audit and audit-related fees
☑	Our *Insider Trading Policy:* * Prohibits hedging of our equity securities * Prohibits pledging of our equity securities * Establishes trade pre-clearance requirements for Directors, Executives and other key associates	☑	Our Disclosure Committee assists our CEO and our CFO in: * The design, development, implementation and maintenance of our Internal Control Over Financial Reporting and disclosure controls and procedures * Ensuring that material information required to be disclosed in the SEC reports recorded, processed, summarized and reported accurately and on a timely basis
☑	Our *West Marine Information Disclosure Policy* is: * Designed to ensure the fair and timely public disclosure of material information in compliance with Regulation FD * Posted on our website for the investment community	☑	Auditor's report contained an unqualified opinion

NO COMPENSATION COMMITTEE INTERLOCKS

During our 2013 fiscal year and currently, no member of our Compensation and Leadership Development Committee is, an employee, officer or former officer of West Marine or any of its subsidiaries, and no Executive served on the board of directors or compensation committee of any entity that includes one or more Directors, or on a compensation committee of any entity that has one or more executive officers that serve as a member of West Marine's Board.

TRANSACTIONS WITH RELATED PARTIES

Related Party Transaction Review Policy

Our Board recognizes that related party transactions may create the appearance that decisions are based on considerations other than the best interests of West Marine and its stockholders. However, our Board also recognizes that there are situations where a transaction with a related party is appropriate or even necessary, particularly if we would be able to obtain products or services of a nature, quality or quantity on terms that are not readily available from other sources. In order to ensure that the best interests of West Marine and its stockholders are considered prior to entering into transactions between West Marine and any Director, Director nominee, NEO, greater than five (5%) percent beneficial owner of our common stock or any of their respective immediate family members or affiliates, our Board has adopted a written policy requiring our Audit and Finance Committee to review and pre-approve each such related party transaction, including every new or modified transaction, without regard to a dollar threshold. The policy also requires our Audit and Finance Committee to annually review and assess ongoing transactions to ensure that they remain in compliance with policy guidelines.

In addition, our Audit and Finance Committee Chair has been delegated authority to pre-approve, on an interim basis, a related party transaction if it is not practicable to wait until the next scheduled meeting. Any interim approval taken by the Audit and Finance Committee Chair must be reported and ratified by the full Audit and Finance Committee (or the Board) at the next scheduled meeting.

In reviewing related party transactions under the policy, our Audit and Finance Committee considers all material information relevant to the transaction, including:

- The nature and business purpose of the transaction, including its potential benefits to West Marine;
- Whether the transaction is proposed to be (or was) entered into on terms no less favorable to West Marine than terms that could have been reached with an unrelated third party;
- The material terms of the transaction, such as the financial interest to, and the impact on, the related party involved, including impact on independence, if the related party is a Director;
- The results of market comparables and/or independent appraisals of the value of the property or services which are subject of the related party transaction; and
- The availability of other sources for comparable products or services.

All of the transactions, including lease renewals, described below were reviewed and approved by our Audit and Finance Committee in accordance with the policy described above.

Related Party Transactions

At the end of fiscal 2013, there were three related party transactions, and all were real estate leases between West Marine and entities in which our founder and Chairman of the Board, Randolph K. Repass, together with certain members of his family, own substantially all of the interests. One of these leases is for our corporate headquarters (which we call our Support Center) and adjacent warehouse space located in Watsonville, California, and the remaining are for two out of our 287 retail stores. One store is located in Santa Cruz, California, and the other is in Braintree, Massachusetts. The Santa Cruz store and the Watsonville Support Center/warehouse leases have been in effect since 1982 and 1988, respectively (i.e., soon after West Marine was founded and before it went public) and the Braintree, Massachusetts lease has been in effect since 1996. These all have fixed terms and were negotiated at arms' length by independent representatives for each party after assessing market data for comparable properties at the time the leases were entered into.

Both the Santa Cruz and Braintree stores are profitable, earning contribution rates above our internal contribution margin hurdle rates and, therefore, it is in the Company's best interest to maintain these stores at their current locations.

We did not enter into any new related party transactions in 2013 with Mr. Repass, and there are no related party transactions with any other current Director, any Director nominee, any NEO or any other 5% beneficial owner.

The aggregate net amounts paid to related parties during each of the fiscal years 2013, 2012 and 2011, respectively, were $1.9 million, $1.8 million, $1.8 million. Mr. Repass' partnership interests in Braintree, MA store, the Santa Cruz, CA store and the Watsonville, CA Support Center are 14.0%, 80.0% and 87.5%, respectively.

In addition, when options to extend existing leases are triggered, we engage third party brokers and appraisers to examine market conditions and comparable properties, taking into account location, foot traffic, proximity of competitors, composition of co-tenants, age and condition of the property, rental rates and other relevant factors, including relocation costs and impact on associates, to assist management in determining whether to renew or renegotiate the existing lease or to relocate. Our Watsonville Support Center lease was renegotiated in 2009, our Santa Cruz store lease was up for renewal in 2010, and our Braintree lease was up for renewal in 2012. During 2009 and 2010, the real estate market was soft, and in all three cases, we engaged third party appraisers to conduct market studies for each location considering the factors outlined above.

Only one other suitable property was identified in 2009 for our Support Center and, although the alternate property was of newer construction, its size exceeded our needs and would have resulted in a higher rental rate than our existing headquarters. In addition, other factors, such as potential loss of key personnel, disruption of business operations and costs associated with the move weighed against relocation. Accordingly, in 2009, although under no compulsion to do so because the lease was not up for renewal, Mr. Repass nonetheless agreed to a rent reduction, the terms of which were negotiated at arms' length between Mr. Repass' and West Marine's independent brokers. Then, in July 2011, a lease amendment was signed that reduced the amount of Support Center warehouse space we lease. The amendment also extended the warehouse space lease term from November 2011 to October 2016, which makes that lease coterminous with the adjacent Support Center. The rent reduction was not material, but the amendment met our primary objective of aligning the warehouse space lease term with that of our Support Center.

In 2010, our third party brokers determined that comparable store locations in the Santa Cruz area would have rents approximately 11% higher than the renewal rate under the related party lease. Given the store's location near the Santa Cruz harbor, the lower relative rental rate and the fact that we had invested in leasehold improvements to convert the store to solar energy, we renewed the Santa Cruz store lease in December 2010.

Finally, our Braintree, Massachusetts, lease will expire in December, 2014 and will not be renewed. We are opening a new flagship store in a neighboring area and have entered into a lease with an unrelated party.

The following illustrates our current lease terms versus comparable properties:

Lease Location	Lease Amendment Date	Expiration	Comparable Property - Avg. Rental Rate %	Approximate Net Savings to West Marine
Watsonville Support Center	2009	2016	30% higher	$1.3 million
Adjacent Warehouse	2011	2016		
Santa Cruz Retail Store	2010	2015	11% higher	$0.1 million
Braintree Retail Store	2012	2014	No suitable locations in the area	N/A

BOARD OF DIRECTORS AND ITS COMMITTEES

ROLE OF THE BOARD; CORPORATE GOVERANCE PRINCIPLES

In accordance with the Delaware General Corporation Law and the Company's Articles of Incorporation and Bylaws, our business affairs are managed under the direction of our Board. In this regard, our Board and our management team have long believed that good governance is important to ensure that West Marine is managed for the long-term benefit of our stockholders and have put into place good business practices designed to support this commitment and to maintain the highest level of governance. See "Governance Principles" and "Code of Ethics" sections below which describe the framework for governance of West Marine.

BOARD & COMMITTEE INDEPENDENCE

- It is the intent of our Board that a majority of its members qualify as independent Directors. Our Board has affirmatively determined that: (i) six (Messrs. Madsen, Nordstrom and Olsen and Mmes. Rambo, Richter and Shi) of our eight Director nominees (or 75%) qualify as independent Directors as defined by the applicable NASDAQ listing standards, SEC rules and other applicable law; (ii) each member of our Compensation and Leadership Development Committee meets the heightened independence requirements of Rule 10C-1 of the Exchange Act; (iii) each member of our Audit and Finance Committee meets the heightened independence requirements of Section 10A(m)(3) of the Exchange Act; and (iv) Ms. Richter and Mr. Olsen both qualify as financial experts under SEC rules.
- Our Board considers all relevant facts and circumstances related to transactions and relationships between each Director (and his or her immediate family and affiliates) and West Marine and its management to determine whether any such relationships or transactions would prohibit an incumbent Director from being able to exercise independent judgment in carrying out the responsibilities of a Director. In this regard, our Board considered the fact that a vendor who sells a small amount of product to the Company is partially owned by Mr. Nordstrom's brother, and although Mr. Nordstrom has no equity interest in that vendor, he and his brothers are partners in a partnership which loaned money to the vendor. After reviewing this transaction, our Board concluded that Mr. Nordstrom's independence was not impaired.
- Our Audit and Finance Committee has determined the independence of, and selected PricewaterhouseCoopers LLC to serve as, our Independent Auditors for fiscal year 2014.

- Our Compensation and Leadership Development Committee has retained a compensation consultant, Frederic W. Cook & Co., Inc. ("FW Cook"), that is independent of West Marine and management. FW Cook provides no services to West Marine other than consulting services provided to the Committee.

BOARD & COMMITTEE MEETING ATTENDANCE

- Each Director is expected to attend and participate in, either in person or by means of telephonic conference, all scheduled Board meetings and meetings of Committees on which such Director serves.
- During fiscal year 2013, our Board met four times, our Audit and Finance Committee met ten times, our Nomination and Governance Committee met three times and our Compensation and Leadership Development Committee met four times; 100% of our Directors attended all Board Meetings as well as our 2013 Annual Meeting of Stockholders (the "2013 Annual Meeting"), and no member attended less than 75% of his/her Committee meetings.

COMMITTEE STRUCTURE, PRINCIPLE FUNCTIONS & CHARTERS

- Pursuant to our Bylaws, our Board has established three Committees:
  - Audit and Finance Committee (comprised of our independent Directors who are financially literate with public audit committee experience);
  - Compensation and Leadership Development Committee (comprised of our independent Directors who are active executives and/or have other public compensation committee experience); and
  - Nomination and Governance Committee (comprised of our independent Directors who are the most seasoned West Marine Directors and who have the most public board experience).
- Each Committee meets at least quarterly.
- The Board has adopted a written *Charter* for each Committee and each updated *Charter* was approved by our Board in March 2014. The *Charters* can be accessed, free of charge, at http://www.westmarine.com under "Investor Relations" and are available in print to any stockholder who submits a written request to our Secretary at 500 Westridge Drive, Watsonville, California, 95076.

The following table reflects the membership of each Committee for fiscal year 2013 and a summary of each Committee's functions as set forth in its respective *Charter*:

COMMITTEE	MEMBERS	COMMITTEE PRINCIPLE FUNCTIONS
Audit and Finance Committee	**Alice M. Richter (Chair)** **Barbara L. Rambo** **Christiana Shi** **Robert D. Olsen**	• Annually review the qualifications, performance and retention of Independent Auditors; • Pre-approve all audit and non-audit fees and services; • Review communications required from the Independent Auditors; • Establish clear hiring policies for employees and former employees of the Independent Auditors; • Review and approve the *Internal Audit Plan* and *Internal Audit Charter* and assess the performance of the Internal Auditor annually; • Review audit results and reports; • Meet regularly, including in separate executive sessions, with our Independent Auditors, Internal Auditor and other key management; • Assess the adequacy of the Committee's performance, annually; • Assess the adequacy of the Committee's *Charter* annually; • Assess the independence of, and retain and oversee, the work of advisors; and • Provide risk oversight and monitor compliance of the company's policies and practices with respect to major risk exposures, including financial, regulatory and operational risks. (See also "Risk Management Oversight").

COMMITTEE	MEMBERS	COMMITTEE PRINCIPLE FUNCTIONS
Compensation and Leadership Development Committee	**Dennis F. Madsen (Chair)** **Barbara L. Rambo** **Christiana Shi** **James F. Nordstrom**	• Set performance goals and objectives for our compensation programs (see "Compensation Discussion and Analysis–Executive Summary" and • • "Executive Compensation Philosophy & Principles"); • Annually review and approve the compensation of our NEOs and other members of our senior management (collectively, with the NEOs, "Executives"); • Assess our CEO's performance in light of established goals; • Approve any benefit and/or severance, retirement or deferred compensation plans; • Approve the *West Marine, Inc. Amended and Restated Omnibus Equity Incentive Plan* ("Equity Incentive Plan"), the *West Marine, Inc. Associates Stock Buying Plan* ("Stock Buying Plan") and the *Equity Award Grant Policy,* and grant equity awards permitted under such Plans and the Policy; • Approve the *Stock Ownership Policy* for our Directors and our Executives at the Sr. Vice Presidential level and above; • Recommend Director compensation and benefits policies; • Develop and/or approve leadership development and succession plans, initiatives and programs; • Assess the adequacy of the Committee's performance, annually; • Assess the adequacy of the Committee's *Charter* annually; • Assess the independence of, retain and oversee the work of advisors; • Prepare the Committee report required for the annual proxy statement; and • Provide oversight of risks, if any, arising from compensation policies and programs, including incentive compensation. (See also "Risk Management Oversight").

Committee	Members	Committee Principle Functions
Nomination and Governance Committee	**Barbara L. Rambo (Chair)** **Dennis Madsen** **Alice M. Richter**	• Evaluate the nature, structure and composition of the Board and its Committees; • Establish guidelines and procedures for evaluating new Director nominees; • Recommend to the Board nominees and Committee appointments; • Recommend to the Board Committee Chair, Chairman of the Board and Lead Independent Director appointments; • Recommend to the Board revisions to the Company's *Governance Principles, Code of Ethics*; Committee *Charters* and other corporate governance policies/practices; • Oversee an annual performance evaluation of the Board and each of its Committees; • Assess the adequacy of the Committee's *Charter* annually; • Retain and oversee the work of advisors it may deem appropriate; and • Monitor risks associated with corporate governance matters and coordinate risk oversight activities for each of the Board's Committees. (See also "Risk Management Oversight").

IV. AUDIT AND FINANCE COMMITTEE MATTERS

PROPOSAL #2: SELECTION OF OUR INDEPENDENT AUDITORS

Our Audit and Finance Committee selected PricewaterhouseCoopers LLC ("PwC") as the Independent Auditors for our 2014 fiscal year. PwC also served as our Independent Auditors for fiscal 2013 (see "Other Audit and Finance Committee Matters-Change in Independent Registered Public Accounting Firm" below).

Although stockholder ratification of the Audit and Finance Committee's action in this respect is not required, our Board considers the selection of the Independent Auditors to be an important matter of stockholder concern and as a matter of good governance practice and therefore is submitting the selection of PwC for stockholder ratification, subject to the review, oversight and discretion of our Audit and Finance Committee. Such ratification shall be effective upon receiving the affirmative vote of the holders of a majority of the votes cast at our Annual Meeting. If our stockholders do not ratify the selection of PwC, the engagement of Independent Auditors will be reevaluated by our Audit and Finance Committee.

A representative of PwC will be present at the Annual Meeting, will be offered the opportunity to make a statement if the representative so desires, and will be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
THE RATIFICATION OF PRICEWATERHOUSE COOPERS LLP AS INDEPENDENT AUDITORS.**

OTHER AUDIT AND FINANCE COMMITTEE MATTERS

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit and Finance Committee annually reviews the Independent Auditors' independence and performance in connection with the Committee's determination of whether to retain the current audit firm or to engage another firm. In this regard, in 2013, the Committee conducted a search process, reviewing formal written responses from each prospective firm and conducting in-person interviews with the prospective lead audit partners and their staff and key management personnel to determine which audit firm to engage for 2014. Factors considered included:

- The auditors' historical and recent performance on the Company's audit, including the results of an internal survey of the auditor's service and quality;
- External data relating to audit quality and performance, including recent Public Company Accounting Oversight Board ("PCAOB") reports on the auditor and its peer firms;
- The appropriateness of the auditor's fees, on both an absolute basis and as compared to its peer firms;
- The auditor's tenure;
- The auditors' familiarity with retail operations and the capability and expertise in handling the breadth and complexity of our operations;
- The professional qualifications and performance of the lead audit partner and those of his or her audit staff;
- The auditors' independence from the Company and management;
- The level of fees approved for audit and non-audit services to ensure their compatibility with the auditor's independence; and
- The scope of and overall plans for the annual audit and the internal audit program.

Based on this evaluation, our Audit and Finance Committee determined that PwC had a significant number of retail clients and that the experience of the firm, as well as the experience of the lead audit partner in the firm's retail practice, would be of benefit to the Company when considering accounting policies and practices unique to the retail industry. Additionally, the Committee reviewed the proposed audit fees for professional services to be provided in connection with the audit of our consolidated annual financial statements and our internal control over financial reporting and reviews of our quarterly financial statements, as well as audits of subsidiary financial statements (including statutory audits), regulatory filings, consents and other SEC matters. The Committee determined that the proposed fees to be charged by PwC were reasonable in amount and consistent with the delivery of a quality audit, audit related and tax compliance services and were consistent with the maintenance of their independence.

Following its review, on August 5, 2013, our Audit and Finance Committee dismissed Grant Thornton LLP ("Grant Thornton") as our independent registered public accounting firm and appointed PwC as our new independent registered public accounting firm to audit our financial statements for the year ended December 28, 2013. The Committee requests that our stockholders ratify such selection and appointment (see "Proposal #2: Selection of Our Independent Auditors") above.

The reports of Grant Thornton on our consolidated financial statements as of and for the fiscal years ended December 29, 2012 ("FYE 2012") and December 31, 2011 ("FYE 2011") did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During FYE 2012 and FYE 2011 and for the subsequent interim period through August 5, 2013 (the date on which PwC was appointed), there were no disagreements between the Company and Grant Thornton on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to Grant Thornton's satisfaction, would have caused Grant Thornton to make reference thereto in its reports on the consolidated financial statements for such years, and there have been no reportable events.

During our FYE 2011 and FYE 2012, and for the subsequent interim period through August 5, 2013, no one on behalf of the Company consulted with PwC regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to our consolidated financial statements, and no written report or oral advice was provided to us by PwC that was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or a reportable event.

PwC did provide, and continues to provide, tax services to the Company and its subsidiaries, including preparation of the federal and state tax returns for FYE 2011 and FYE 2012. The Audit and Finance Committee has approved the tax services that PwC provides the Company in accordance with applicable SEC independence rules.

FEES PAID TO OUR INDEPENDENT AUDITORS

The following table summarizes the fees of Grant Thornton which were billed to us for our fiscal year ended December 29, 2012, and the fees of PwC which were billed to us for our fiscal year ended December 28, 2013.

($ in thousands)	Fiscal Year 2013		Fiscal Year 2012
	Pricewaterhouse Coopers LLC	Grant Thornton LLP	Grant Thornton LLP
Audit Fees	$ 585 [1]	$ 266 [2]	$ 650
Audit-Related Fees [3]	—	16	14
Tax Fees [4]	125	12	7
All Other Fees	—	—	—

(1) Consists of fees billed to us by PwC for services rendered for the fiscal year 2013 audit.

(2) Consists of fees billed to us by Grant Thornton for services rendered related to the review of the first two quarters and consent for fiscal year 2013.

(3) Includes fees primarily related to statutory audits.

(4) Includes fees for tax advice and tax return assistance.

Our Audit and Finance Committee considered whether the provision of the services covered under the captions "Audit-Related Fees" and "Tax Fees" above is compatible with maintaining PwC's independence, and no services were rendered pursuant to the pre-approval exception provided in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

PRE-APPROVAL OF INDEPENDENT AUDITOR SERVICES

Pursuant to our *Policy for Pre-Approval of Independent Auditor Audit and Non-Audit Services* adopted by our Audit and Finance Committee:

- We may engage our Independent Auditors to provide audit and permissible non-audit services that have been pre-approved by our Committee with monetary limits on each service, before the services are rendered, except that no services may be provided to West Marine or any of its subsidiaries which would cause the SEC or the NASDAQ Stock Market to no longer consider our Independent Auditors to be independent or if such engagement would otherwise cause West Marine or any of its subsidiaries to violate any other applicable laws, regulations or policies.
- Our Audit and Finance Committee has designated our CFO to monitor the performance of all services provided by our Independent Auditors and to determine whether such services are in compliance with the policy. Our CFO will report promptly to our Audit and Finance Committee Chair any non-compliance (or attempted non-compliance) with this policy of which our CFO becomes aware.
- Before approving any services, our Committee considers the appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit fees paid to the Independent Auditor to ensure that they are not excessive.
- Ms. Richter has been delegated the authority, as necessary and appropriate between regularly scheduled Audit and Finance Committee meetings to pre-approve additional services or increases in previously approved monetary limits for such services, provided that such services would not impair the independence of our Independent Auditors, that fees relative to such services do not exceed $50,000 per project and that Ms. Richter report any such interim approvals at the next regularly scheduled meeting.

WHISTLEBLOWER POLICY AND PROCEDURES

Our Audit and Finance Committee also has approved a *Whistleblower Policy and Procedures* relating to corporate reporting and disclosure, accounting and auditing controls and procedures, securities compliance and other matters pertaining to fraud against stockholders. This policy was last reviewed in December 2013. It provides details for reporting such concerns or violations to a number of internal resources, including our General Counsel or our Internal Auditor, or directly to any regulatory agency having jurisdiction over the reported concern or anonymously through our "Network Hotline" operated by a third party (by calling 1-800-241-5689) and the procedures through which any such reporting is forwarded to the Audit and Finance Committee. The policy prohibits any retaliation for any complaints reported in good faith. At each Audit and Finance Committee meeting, our Secretary presents a summary of all communications received directly or anonymously since the last Committee meeting, including how the matter was handled. The Secretary will make those communications available to any Director on request.

A copy of our *Audit and Finance Committee Charter*, our *Whistleblower Policy and Procedures*, our *Audit and Finance Committee Complaint Process* and our *Director Complaint Communication Process* are available, free of charge, on West Marine's website at http://www.westmarine.com/ under "Investor Relations," or a printed copy of each of these policies can be obtained by writing to our Secretary.

AUDIT AND FINANCE COMMITTEE REPORT

The four members of the Audit and Finance Committee are named below. Each member meets the heightened independence requirements of Section 10A(m)(3) of the Exchange Act. The Board has determined that two of the Audit and Finance Committee members, Ms Richter and Mr. Olsen, qualify as an "audit committee financial expert" as defined by SEC rules.

Management is responsible for the financial reporting process, including the system of internal control over financial reporting, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Our Independent Auditors are responsible for auditing these financial statements and expressing an opinion as to their conformity to GAAP. Our Audit and Finance Committee's responsibility is to monitor and review these processes, acting in an oversight capacity, and our Committee does not certify the financial statements or guarantee the Independent Auditors' report. Our Committee relies, without independent verification, on the information provided to it, including representations made by management and the Independent Auditors, including its audit report.

In connection with the financial statements for the fiscal year ended December 28, 2013, the Audit and Finance Committee: (i) reviewed and discussed with management, our Internal Auditor and PwC, the audited consolidated financial statements; (ii) discussed with PwC the matters required by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Accounting Oversight Board in Rule 3200T; and (iii) received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding the Independent Auditors' communications with the Audit and Finance Committee concerning independence, and discussed such matters with PwC, including their independence and the compatibility of non-audit services with such independence.

In connection with the foregoing, our Committee met with PwC and with the Company's Internal Auditor, in each case, with and without other members of management present, to discuss the results of their respective examinations, the evaluations of West Marine's internal controls and the overall quality and integrity of its financial reporting, including its disclosure control processes and procedures. Based on these reviews and discussions, the Audit and Finance Committee recommended to the Board of Directors that the audited consolidated financial statements for the 2013 fiscal year be included in West Marine's Annual Report on Form 10-K for the year ended December 28, 2013, as filed with the SEC on March 12, 2014.

March 26, 2014

Audit and Finance Committee

Alice M. Richter, Chair
Barbara L. Rambo
Christiana Shi
Robert D. Olsen

The Audit and Finance Committee Report set forth above will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or under the Exchange Act, except to the extent that West Marine specifically incorporates such reports by reference, and such report will not otherwise be deemed to be soliciting materials or to be filed under such Acts.

V. EXECUTIVE COMPENSATION

OUR NAMED EXECUTIVE OFFICERS

As of the end of our 2013 fiscal year, our NEOs were:

- Matthew Hyde, our Chief Executive Officer and President;
- Thomas R. Moran, our Chief Financial Officer and Executive Vice President - Finance;
- Barry Kelley, our Executive Vice President of Stores and Wholesale (effective as of December 5, 2013); and
- Ronald Japinga, our Executive Vice President of Merchandising, Replenishment and Logistics.

The chart below includes additional information about our non-director NEOs and the section entitled "Director Matters - Director Qualifications and Experience; Director Nominees" contains information related to Mr. Hyde who also is an incumbent Director and Director nominee at this Annual Meeting.

No family relationships exist among any of our Directors or NEOs.

In certain instances in this Proxy Statement where the context requires, NEOs include Bruce Edwards, our former Executive Vice President of Stores, Port Supply and Direct-to-Consumer.

Name & Age	Position Held & Hire Date	Work Experience and Other Information
Thomas R. Moran **Age:** 53	**Position:** Chief Financial Officer, Executive Vice President and Assistant Secretary **Hired:** 2007	**Work Experience** In his role as Chief Financial Officer, Mr. Moran oversees all of West Marine's financial activities including all accounting functions, preparation of financial statements, monitoring expenditures and liquidity, managing investment and taxation issues and recommending capital structure of the business. Mr. Moran jointed West Marine as Senior Vice President and CFO in January 2007. Additionally, effective May 29, 2013, Mr. Moran was promoted from Senior Vice President to Executive Vice President, and he assumed additional responsibilities, overseeing West Marine's information technology function. Mr. Moran served as the Chief Financial Officer of the Wearguard-Crest Division of ARAMARK Corporation, ARAMARK's work apparel and uniform division, from June 2004 until January 2007. Prior to joining ARAMARK, Mr. Moran was a Director of Finance of Limited Brands, Inc. from 2000 to 2004 and was the Director of Planning for CarMax Auto Superstores from 1995 to 2000. **Boating Experience** Mr. Moran and his wife have many years of power-boating experience and enjoy California's year-round boating season and exploring the sights of the Monterey Bay area.
Barry Kelley **Age:** 51	**Position:** Executive Vice President of Stores and Port Supply **Hired:** 1989	**Work Experience** Mr. Kelley is responsible for the sales and operations of all of our retail stores in the U.S., Canada and Puerto Rico, as well as our Port Supply division which services our professional customers. He joined West Marine in December 1989, and prior to his promotion to Executive Vice President of Stores and Port Supply in December 2013, he held the positions of Senior Vice President from May 2012 and Vice President of Port Supply from December 2007. Prior to December 2007, he was Southeast Regional Vice President, Southeast District Manager, Store Manager and various other store positions for West Marine. **Boating Experience** Mr. Kelley has been actively involved in the marine industry for more than 30 years, and has been a lifelong boater, equally enjoying a good day sailing or one spent offshore fishing.
Ronald Japinga **Age:** 51	**Position:** Executive Vice President of Merchandising, Replenishment and Logistics **Hired:** 2006	**Work Experience** Mr. Japinga oversees all of West Marine's merchandising and supply chain activities, including product procurement, development, replenishment and transportation. Prior to Mr. Japinga's promotion in June 2007 to his current role, he had served as our Senior Vice President of Merchandising. Previously, Mr. Japinga served as Vice President/Divisional Merchandise Manager of Kohl's Department Stores from 2001 until he joined West Marine in February 2006. Prior to joining Kohl's, he held several positions with Duty Free Shops Group Limited from 1997 to 2001, including Vice President/Divisional Merchandise Manager/Director of Stores, Vice President/General Merchandise Manager/Visual and Divisional Merchandise Manager. Prior to that, Mr. Japinga served as President of a start-up specialty apparel store, Wish Superstore, from 1996 to 1997, served as Vice President/Divisional Merchandise Manager for Federated Department Stores from 1991 to 1996 and was a Buyer for Macy's Department Stores prior to 1991. **Boating Experience** Mr. Japinga has been an avid boater since his youth and enjoys taking his powerboat out on the weekends with his wife and children for fishing, waterskiing and basic pleasure boating.

PROPOSAL #3: ADVISORY VOTE ON THE COMPENSATION OF OUR NEOs

We are asking our stockholders to approve, on an advisory basis, the compensation of our NEOs as reported in this Proxy Statement. We urge you to read the Compensation Discussion and Analysis ("CD&A") below, which describes in more detail how our policies and procedures related to the compensation of our Executives ("Executive Compensation") operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table, set forth on page 40 and other related compensation tables and narrative appearing elsewhere in this Proxy Statement, which provide detailed information on the compensation of our NEOs. We believe our Executive Compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively aligning the interests of our Executives to dedicate them fully to value creation for our stockholders.

THE BOARD STRONGLY ENDORSES THE COMPANY'S EXECUTIVE COMPENSATION PROGRAM AND RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE FOLLOWING RESOLUTION:

> **"RESOLVED, that the stockholders hereby approve, on an advisory basis, the compensation paid to West Marine Inc.'s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosure contained in this proxy statement."**

Because your vote is advisory, it will not be binding on our Board. However, our Board and its Compensation and Leadership Development Committee value the opinions of our stockholders and will continue to consider voting results when making future decisions regarding our Executive Compensation program. See the "Compensation Discussion and Analysis – Executive Summary – 2013 Say-on-Pay Voting Results and Stockholder Engagement" section below.

After consideration of the vote of stockholders at our 2013 Annual Meeting and consistent with our Board's recommendation, our Board has determined to continue to hold an advisory vote on the approval of Executive Compensation on an annual basis until the next advisory vote on frequency occurs. An advisory vote on frequency of stockholder advisory votes on Executive Compensation is required to be held at least once every six years. Accordingly, we currently expect that the next advisory vote on Executive Compensation will be held at our 2017 annual meeting of stockholders.

In this CD&A section of our Proxy Statement, we focus on our Executives and describe our Executive Compensation philosophy and program, as well as the compensation decisions we and the Compensation Leadership and Development Committee have made under our program.

This CD&A begins with an "Executive Summary" that provides the highlights of our business performance, our Executive Compensation structure, and the relationship between the two. This section also summarizes key actions taken by our Compensation and Leadership Development Committee in 2013 and some proposed for 2014.

You should read this CD&A in conjunction with the narrative descriptions and detailed tables beginning on page 40 of this Proxy Statement.

A. EXECUTIVE SUMMARY

Company Overview and Summary of 2013 Business Results

West Marine, founded in 1968, has grown to become the largest omni-channel specialty retailer exclusively offering boating supplies, gear, apparel, footwear and other waterlife-related products. Our key growth strategies are designed to reposition West Marine into a broader waterlife outfitter, while maintaining our position as the leading boat parts specialty retailer.

2013 Financial Performance:

- Pre-tax income for the full year was $15.7 million, a decrease of 35.9% compared to the prior year;
- Strong balance sheet and liquidity;
- Debt free, with over $48.4 million in cash at year-end;
- Approximately $92 million in available borrowing capacity at year-end; and
- Continued strength in our strategic growth strategies: eCommerce; store optimization; and merchandise expansion.

The following table sets forth the key performance metrics in fiscal 2013 relative to performance in fiscal 2012.

Key Financial Performance Measures ($ in millions, except per share data and ROIC)	2013	2012	% Change
Net sales	$ 663.2	$ 675.3	(1.8)
Gross profit	$ 191.6	$ 207.5	(7.7)
Pre-bonus, pre-tax profit	$ 16.0	$ 30.1	(47.0)
Pre-tax income	$ 15.3	$ 24.5	(37.4)
Net income	7.8	14.7	(4.7)
Non-GAAP adjusted net income (1) (2)	$ 9.5	$ 14.7	(35.4)
Net income per share (diluted)	0.32	0.62	(48.4)
Non-GAAP adjusted net income per share (diluted) (1) (2)	$ 0.39	$ 0.62	(37.1)
Total assets	$ 364.2	$ 351.0	3.8
Non-GAAP Return on Invested Capital (ROIC) (3) (4)	5.3 %	6.2 %	(14.5)

(1) 2013 Net Income has been adjusted to exclude the tax impact of a valuation allowance recorded during 2013. Adjusted net income reduces income tax expense as reported by the $1.7 million impact of the valuation allowance. No adjustments were made to 2012 net income.

(2) Management believes that adjusted net income provides meaningful supplemental information for our stockholders regarding the performance of our business and facilitates comparison with prior periods by removing the non-operational financial impact of a change in tax laws.

(3) ROIC is defined as adjusted net income divided by average total capital. Net income is adjusted to normalize our income tax rate and to exclude interest and fixed rent expense as well as any one-time or unusual items, such as impairment charges and gains or losses on the sale of assets. The exclusions from net income are calculated on an after-tax basis. Total capital is calculated by adding total debt, operating leases capitalized at eight times annual rent expense and total stockholders' equity, minus cash and cash equivalents.

(4) Management believes that Non-GAAP ROIC is a meaningful measure of our efficient and effective use of capital and that it is an appropriate measure because it is driven by both generation of earnings and the responsible management of our assets and is closely correlated with creating stockholder value.

Our 2013 financial results represented a challenging year, with a total sales decline of 1.8% and comparable store sales declining by 1.8%. We believe our lower sales results during the first half of the year were primarily driven by unusually cold, rainy and windy weather in many of our markets which, in turn, drove a reduction in boat usage, and in certain seasonal markets, caused some customers to entirely forgo typical Spring commissioning of their boats. We also believe that there are fundamental trends continuing to emerge in our industry that are affecting our customers and their purchase patterns. These trends reinforce our view that the core boat parts and accessories business is not going to be sufficient to meet our goal of achieving steady, profitable growth. We believe that we can accomplish this goal by accelerating the execution of our growth strategies to achieve a repositioning of West Marine into a broader waterlife outfitter, as well as the leading boat parts specialty retailer. This repositioning will expand our potential market and is expected to reduce our dependence on weather.

Progress on our Growth Strategies:

Our progress in our growth strategies, and our expectations around future progress, are articulated in our 15/50 plan, as outlined below:

- eCommerce: Sales which originated in our direct-to-consumer channel grew by 15.7% during 2013, which was higher than the 4.7% growth we experienced in 2012. Our eCommerce sales represented 7.6% of total sales in 2013, up from 6.5% for 2012. Our three-to five- year goal is for eCommerce to represent 15% of total sales.
- Store Optimization: Through 2013, our efforts at store optimization focused on store consolidation (evolving to having fewer, larger stores with a broader selection, improved shopping experience, and anticipated improved store economics). We expect this activity to continue for the next two to three years. During 2013, we began testing a new element of store optimization, which is "revitalization" of stores where we currently have suitable store footprints and locations. These projects are intended to increase sales by bringing new store design elements featuring an expanded merchandise assortment, and an improved shopping experience to attract a broader and more diverse group of potential customers. In 2013, 28% of our total sales came through optimized stores. Our three- to five- year goal is to deliver 50% of our total sales through optimized stores.
- Merchandise Expansion: Sales in our merchandise expansion categories (including soft goods, fishing, paddle sports, and accessories) support the eCommerce and store optimization strategies and grew by 6.1% during 2013, whereas sales in our core categories declined by 2.9%, primarily as a result of reduced boat usage. Sales of merchandise expansion products represented 16.5% of total sales for 2013, up from 15.3% in 2012.

We achieved what we set out to do during the year with our growth initiatives and saw positive results even with the impact of extreme weather patterns throughout much of the year, and, as noted above, we expect to continue this momentum at an accelerated pace as we continue to reposition our Company into a broader waterlife outfitter. However, consistent with our pay-for-performance philosophy, none of our bonus-eligible associates, including our NEOs, earned an annual cash bonus award for fiscal 2013 because we did not achieve our financial goals.

2013 Say-on-Pay Results and Stockholder Outreach

At our 2013 Annual Meeting, **90.3%** of votes cast by our stockholders were in favor of our Executive Compensation program. We are pleased that our stockholders approved and supported our efforts to offer a competitive Executive Compensation program that delivers stockholder value over the short and long-term. We also recognize that stockholder views can change as circumstances change, including those in our industry, our business, and changes resulting from economic and market influences. To ensure continued engagement with our stockholders, in 2013 our CEO and CFO reached out to a diverse mix of our institutional investors (who, with our founder and Chairman's holdings, represent an estimated 73% of our outstanding stock) to discuss a variety of topics, including our business initiatives, our governance practices and our Executive Compensation program. Additionally, our CFO and General Counsel held telephone conferences with leading proxy advisory firms to better understand any feedback, concerns or recommendations they had on these matters.

As a result of this outreach, we learned that our stockholders and other key stakeholders generally recognize and appreciate the changes we have made over the last few years to strengthen our governance and compensation practices and to accelerate investments in our growth strategies to drive performance both in the short and long term. They also noted a few key compensation and governance related areas for further improvement, particularly in reducing stockholder dilution. In response, over the last two years and continuing into 2014, we have addressed these matters by reducing the distribution of equity awards to our associates and by instituting a stock buyback program, both designed to reduce the impact on stockholder dilution and burn rate, with the understanding that it would take a few years to see the impact of those changes reflected in our Summary Compensation Table, since legacy awards will continue to vest for several years. For more information on our stockholder communication efforts see "Stockholder Communications/Stockholder Engagement" under the section entitled "Corporate Governance Framework" above.

Effective Corporate Governance Reinforces Our Compensation Program

In addition to the changes mentioned above, the following table highlights other changes we have made in our Executive Compensation program, including the compensation practices we have implemented to drive performance, achieve sustainable results, mitigate risk, encourage the attraction and retention of key talent and align with our stockholders' long-term interests:

KEY FEATURES OF OUR EXECUTIVE COMPENSATION PROGRAM			
☑	*Clawback Policy* adopted in 2013	☑	Employment agreements eliminated
☑	Increased performance-based pay - Annual bonus based on two key financial metrics - Long- term incentives include time -based restricted stock units ("RSUs") and added performance-based RSUs ("PVU's") for 2014	☑	- No Guaranteed bonuses - Bonuses were not paid for 2013 (tied to company financial performance)
☑	Balanced mix of fixed base and variable performance-based pay	☑	There are no year-over-year significant increases in fixed base salary or variable pay
☑	Stock repurchase program adopted in 2013 (to mitigate stockholder dilution)	☑	Shifting from stock options to full value equity awards in 2013 and 2014
☑	Peer Group determined annually (in-line with stockholder advisory peer groups)	☑	No supplemental Executive retirement plans
☑	Perquisites limited to executive life insurance only	☑	Tax gross ups not permitted
☑	Robust *Stock Ownership Policy* for Executives and Directors	☑	Vested or unvested stock options and unvested performance-based RSUs not counted toward stock ownership target threshholds
☑	Require one-year holding period for equity awards purchased through Stock Buying Plan	☑	Hedging or pledging of Company securities not permitted by policy
☑	Require equity award retention ratios: - 50% for stock option exercises and sale of stock purchased through our Stock Buying Plan - 75% for sale of RSUs or PVUs Directors and Executives required to maintain threshold throughout term of service	☑	Equity Incentive Plan Provisions: - Stockholder approval required for: * Re-pricing of underwater options/stock appreciation rights; and * Cash buyouts and voluntary surrender of underwater options - No liberal share counting permitted (i.e., share pool is reduced by shares withheld on option exercise) - Evergreen provisions not permitted
☑	Equity award grants: - No less than three year vesting period - 100% of fair market value grants - no discounts - Fixed grant dates - One and three year burn rate within industry cap - Fungible pool design (RSUs valued at two times options/ stock appreciation rights)	☑	- Enhanced benefits for change in control in severance arrangements not permitted - Automatic acceleration of vesting on change in control not allowed
☑	Double-trigger change in control for equity vesting (not automatic - requires Committee approval)	☑	Change in control agreements in equity awards not allowed
☑	Active Board and Committee oversight and risk management of compensation-related risk	☑	- New individual severance agreements not permitted - No unlimited upside (bonus and performance - based RSUs are capped)
☑	Reasonable Executive severance (well under three times the base salary plus bonus)	☑	Reasonable CEO compensation to next hightest paid Executive (at only 1.8x)
☑	Independent compensation committee consultant engaged	☑	No other services provided to Company by compensation consultant
☑	Increased stockholder and rating agency outreach	☑	No restriction to stockholder accessibility to our Board or Compensation and Leadership Development Committee

See also "Other Governance Practices" on page 13 of this Proxy Statement.

Executive Compensation Philosophy & Principles.

Our compensation philosophy is integrated with West Marine's mission statement which includes the principle that: ***"We will provide an open, supportive, challenging, team-oriented environment where our Associates can achieve job satisfaction, professional and personal growth, and be compensated based on company and individual performance."*** This principle endures today in our Executive Compensation policies that link pay for performance and align the pay of our Executives with the interests of our stockholders by:

- Maintaining a performance-based and risk-appropriate compensation package that aligns with long-term stockholder values;

- Providing a competitive level of total compensation necessary to attract and retain talented and experienced Executives with relevant retail experience, who enjoy recreating on and around the water, and who are enthusiastic about our mission and culture; and
- Appropriately motivating and rewarding our Executives to deliver high performance to our stockholders, customers and the communities in which we operate, to contribute to our short-and long-term success and to help drive total return to our stockholders.

A summary of the principal components of our Executive Compensation program and the purpose of each component are presented in the following table, with specifics of our program, including our compensation decision-making process, discussed in the sections following this table.

EXECUTIVE COMPENSATION PROGRAM PRINCIPAL COMPONENTS

Component	Key Characteristics	Link to Philosophy	Key Actions in 2013	Key Actions for 2014
Base Salary	• Fixed • Reviewed annually	• Provide reasonable and competitive fixed pay based on level of performance, contribution and experience, as well as relative position to peer companies • Attract and retain talented executives	• NEO base salary increases ranged from 0% to 5% • No increase in CEO salary	• Base salary increases for two NEOs at 3% • No increase in CEO salary • No increase for new Executive Vice President - Stores & Port Supply
Short-Term Incentive Award	• Variable • Performance-based ° Total sales ° Pre-tax profit	• Drive overall, business unit and individual performance year-to-year • Focus on growing net revenue, profitability, share of retail sales and delivering strategic business objectives	• Set minimum threshold for bonus eligibility • Set sliding scale for bonus payout at significant pre-tax profit and total sales metrics • Payout capped at 150% of target	No change except, revised payout cap to 200% of target
Long-Term Incentive Award	• Variable • Time-vested RSUs and stock options • Performance-based PVUs • Options and RSU value is based on appreciation in share price • PVU value is based on Return on Invested Capital ("ROIC")	• Align interests of Executives with stockholders and reward achievement of long-term performance goals • Motivate Executives to deliver performance that will result in sustained long-term growth in West Marine's stock price • Based on stockholder and proxy firm feedback ROIC was added as a 2014 performance metric	• 50 /50% mix of RSUs to stock options (67/33% optons to RSUs intended, but lower volatility reduced the Black-Scholes value)	• Added PVUs measured by ROIC • Eliminated stock option grants and replaced with PVUs • 67 / 33% RSU to PVU mix
Health Benefits	• Fixed • NEOs participate in the same health plans as other associates	• Provide competitive levels of benefits that promote health and wellness	• No change	• No change
Retirement Plan	• Fixed • NEOs participate in the same retirement plans as other associates	• Provide competitive levels of benefits that promote financial security • Attract and retain talented executives	• No change	• No change

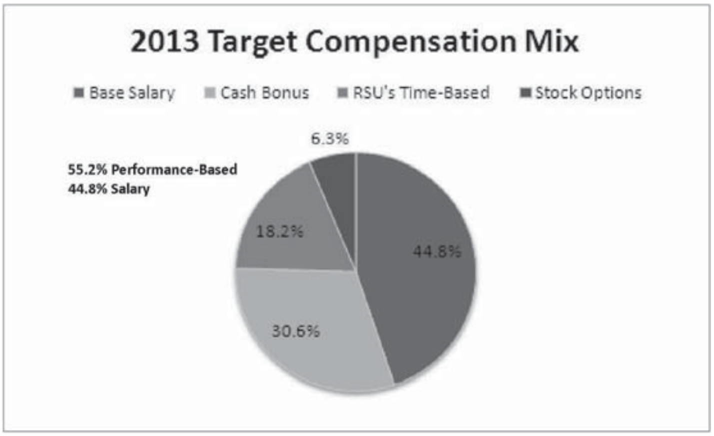
Perquisites	• Fixed • Limited to Executive life insurance premiums without tax gross-ups • NEOs participate in the same merchandise discounts as other associates	• Provide a business-related benefit to West Marine, and to assist in attracting and retaining Executives	• No change	• No change
Post Employment Compensation	• Fixed • Benefits provided under Executive Severance Plan or long-standing agreements • No change-in-control agreements	• Provide temporary levels of income following termination of employment • Attract and retain talented Executives • Provide competitive benefits	• Transitioning Executives to Severance Plan vs. agreement for new hires or promotions	• No change

Pay-for-Performance

In accordance with our pay-for-performance philosophy, we believe that variable direct compensation based on performance should increase as the scope of our associate's ability to influence our results increases. Since our NEOs have the greatest influence over our results, a significant portion of their overall compensation consists of performance-based cash and long-term equity incentives.

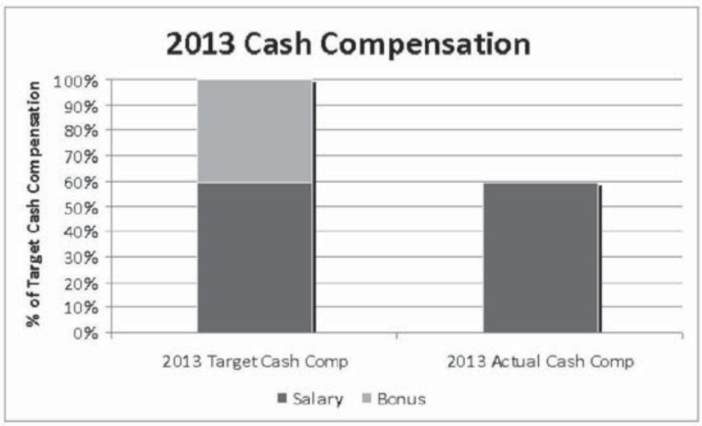
2013 Target Total Direct Compensation

This chart reflects the total target compensation mix for fiscal 2013 based on the aggregate target compensation for our NEOs. Target compensation mix is not the same as actual compensation for elements that are subject to performance contingencies.



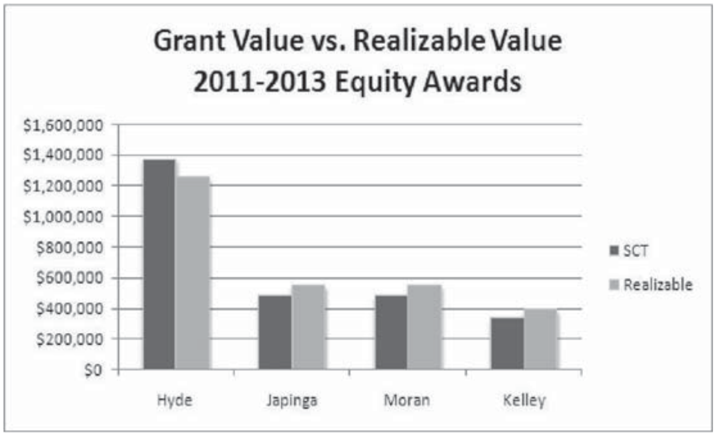
2013 Realized Cash Compensation vs. Target

For 2013, our NEOs received, collectively, approximately 44.8% of their aggregate target cash compensation, which amount consisted of base salary. This chart shows the target cash compensation and actual cash compensation for fiscal 2013 based on the aggregate amounts for our NEOs, none of whom earned any cash bonus payments for 2013.



2011 - 2013 Equity Awards Grant Value vs. Realizable Value

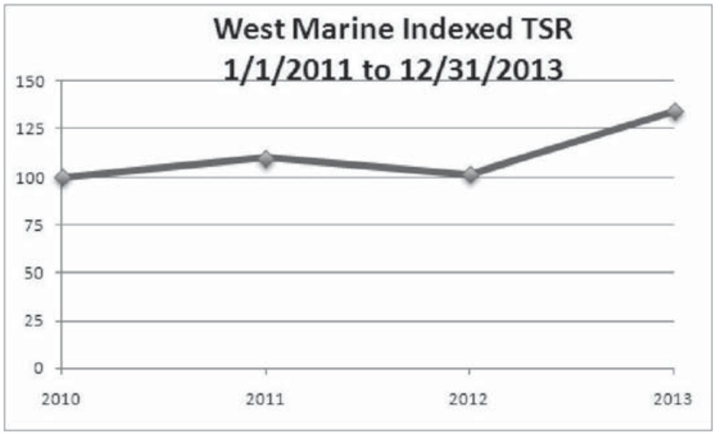
This chart compares the value of equity awards set forth in the Summary Compensation Table (which reflects the grant value of equity awards to our NEOs over the 2011 through 2013 fiscal years[1] to the realizable value. Realizable value is calculated as the intrinsic value on December 31, 2013 of all stock option and RSU awards made to our NEOs between January 1, 2011 and December 31, 2013. This calculation is pre-tax and assumes that the NEOs held all RSUs after vesting. If applicable, exercised stock options are valued at the realized gain upon exercise).



[1] Mr. Hyde was hired in 2012 and received grants in 2012 and 2013 and Mr. Kelley was not an NEO at the time his 2011, 2012 and 2013 equity grants were made.

West Marine Indexed Total Stockholder Return 2011 - 2013

In aggregate, the realizable value of equity awards made to our NEOs during this period is 2.5% greater than the summary compensation table value of the corresponding awards. Over the same period, West Marine's total shareholder return was 34%.[1]



[1] 2011 - 2013 TSR was calculated using West Marine's closing price as follows:

12/31/2010 = $10.58

12/30/2011 = $11.63

12/28/2012 = $10.69

10/27/2013 = $14.14

B. ROLES & RESPONSIBILITIES

Role of Our Compensation and Leadership Development Committee

Annually, our Committee reviews our Executive Compensation program in accordance with the principles summarized above, and more fully described in the *Compensation and Leadership Development Charter* found on our website at http://www.westmarine.com under the "Investor Relations." Generally, our Committee reviews peer group and internal performance data, management recommendations based on evaluations of individual and overall performance, and recommendations from the independent compensation consultant retained by our Committee. As our Committee members make their compensation decisions, they are careful to ensure that compensation paid to our Executives is not excessive as compared with peers and does not encourage unreasonable risk-taking, and that their decisions are transparent and easily understood.

Our Compensation and Leadership Development Committee reviewed each component of Executive Compensation for 2013, including salaries, annual incentive awards, the value of outstanding equity awards (vested and unvested), perquisites and other benefits, and believes that compensation was reasonable in its totality. Our Committee will continue to review total Executive Compensation at least annually.

Independence and Role of the Committee's Compensation Consultant

Our Compensation and Leadership Development Committee is authorized to retain any consultants as necessary or appropriate in making compensation decisions. In 2013, our Committee again retained FW Cook to provide advice regarding our Director and Executive Compensation programs, including peer group practices for base salary, performance-based bonus, long-term incentives and other compensation elements. FW Cook also advises our Committee on compensation program design, including stock ownership guidelines, regulatory requirements related to Executive Compensation, plans submitted to stockholders for approval, governance responsibilities and such other matters as assigned by the Committee.

Prior to engaging the compensation adviser employed by FW Cook ("Compensation Adviser") to provide compensation-related services for our 2013 Executive Compensation program, our Committee, at its March 2013 meeting, considered the six independence factors set forth in the new NASDAQ listing rules adopted pursuant to Exchange Act Rule 10C-1and determined that the Compensation Adviser was independent.

The Compensation Adviser participates in Compensation and Leadership Development Committee meetings, reports directly to the Committee and supports the Committee's role by providing independent expertise on market practices, compensation program design and related subjects as described in the Section entitled "Principal Functions of Each Board Committee - Compensation and Leadership Development Committee" found on page 17 of this Proxy Statement. FW Cook and the Compensation Adviser provide services only as directed by the Committee and has no other relationship with West Marine. There were no fees paid to FW Cook for services that were not related exclusively to Director and Executive Compensation during fiscal year 2013.

Role of Management

Our CEO and Vice President of Human Resources provide input to the Committee on the level and design of Executive Compensation elements, including analyses and recommendations developed internally. Our CEO meets with the other Board members to review the performance of Executives at the vice-president level and above for the prior year. Our Board, without the CEO being present, also meets to review the CEO's performance and to discuss his compensation package.

C. DECISION MAKING PROCESS

Peer Group Benchmark Companies

Our Committee engages its Compensation Adviser to review annually the appropriateness of the peer group used to evaluate Executive Compensation. As Executive Compensation is sensitive to an organization's size, the Compensation Adviser's analysis generally includes companies in the specialty retail sector (retail apparel, specialty, automotive and home furnishing) within a reasonable sales range (between $355 million and $2.9 billion) and market cap (between $25 million and $3.6 billion) relative to West Marine's. Preference is given to companies who focus on lifestyle products.

In reviewing the results of Compensation Adviser's study, the Committee slightly revised our 2013 peer group as reflected in the following table ("Peer Group Benchmark Companies"), with West Marine being positioned near the median in terms of the key size criteria:

2013 Peer Group Benchmark Companies ($ in millions)				
Company	**Revenues ($)**	**Operating Income ($)**	**Operating Margin (%)**	**Market Cap ($)**
Cabela's Incorporated	2,976	289	9.7	2,924
Fred's, Inc.	1,919	45	2.3	488
REI	1,798	116	6.5	n/a
The Finish Line, Inc.	1,457	124	8.5	962
Vitamin Shoppe	947	101	10.7	1,730
Big 5 Sporting Goods Corp.	940	19	2	283
Hibbett Sports, Inc	792	110	13.9	1,370
Monro Muffler Brake, Inc. *	694	81	11.6	1,092
West Marine, Inc.	**670**	**26**	**3.9**	**252**
Haverty Furniture Companies, Inc	670	5	0.8	360
Orchard Supply Hardware Stores Corporation	646	(21)	(3.3)	45
Zumiez, Inc.	629	70	11.1	609
MarineMax, Inc.	524	5	1	212
Trans World Entertainment Corporation *	488	18	3.7	110
Kirkland's, Inc. *	435	21	4.9	181
Sports Chalet	354	(2)	(0.6)	24
75th Percentile	1,202	106	10.2	1,060
Median	**694**	**45**	**4.9**	**424**
25th Percentile	577	12	1.5	189
* New Peer Company for 2013, replacing Cost Plus and Golfsmith International.				

Market Data Provides a Reference Point for Compensation

Our Compensation and Leadership Development Committee believes that knowledge of market practices, particularly those of the Peer Group Benchmark Companies listed above, provides a framework for designing targeted levels for our Executive Compensation program. When our Committee reviews market data, they consider the 50th percentile (median) of our Peer Group Benchmark Companies as a reference point, as opposed to a policy, for positioning targeted total direct compensation. Our Committee generally considers a range within plus or minus 15% and 20% of the 50th percentile for total cash compensation (base salary plus target bonus) and for long-term incentive awards, respectively, to be an appropriate competitive range.

Our Committee does not have a formal policy or formula for allocating our Executives' total compensation between cash and non-cash compensation or between short-term and long-term compensation. Instead, our Committee follows a flexible approach, evaluating each element of Executive Compensation separately and then assessing the total against the comparative compensation data provided by FW Cook. This data is compiled from the Peer Group Benchmark Companies noted above, supplemented with companies with revenues ranging between $300 million and $700 million contained in the 2012 annual Mercer LLC/National Retail Federation US Retail Compensation and Benefits Survey,[1] to ensure that total compensation is within the norms of the retail industry and for companies of the same relative size.

Our Committee also will evaluate other factors particular to a given NEO's situation, including an evaluation of the NEO's abilities and historic and anticipated future contributions, management's experience with recruiting and retaining such NEO in a given role relative to both the industry and the Company's geographic location, competitive survey data, internal equity considerations and other factors our Committee deems relevant at the time.

(1) FW Cook reviewed recent proxy statements filed by our 15 peer companies referenced below and the base salary, annual cash compensation and total cash compensation data from the annual Mercer LLC/National Retail Federation 2012 US Retail Compensation and Benefits Survey with respect to companies with revenues between $300 million and $700 million, which covered 143 retail companies of which nine are in the Morningstar Industry Group - Specialty Retail index that we use as peer groups for the performance graph that appears in our Annual Report. The Mercer survey covered 7-Eleven, Inc., addidas America, Advance Auto Parts, Aeropostale, Inc., Ahold USA, Akzo Nobel, Inc., Alex Lee, Inc., Ascena Retail Group, Inc, Ashland Consumer Markets - Valvoline, Avis Budget Group, Inc., Axcess Financial Services, Belk, Inc., Best Buy Enterprise Services, Big Lots, Inc., BJ's Wholesale Club, Inc., Boy Scouts of America, Brookstone, Inc., Build-A-Bear Workshop, Burlington Coat Factory, Caribou Coffee Company, CarMax, Inc., Carter's Inc., Charming Shoppes, Inc., Chevron Stations, Inc., Chipotle Mexican Grill, Inc., Christopher & Banks, Collective Brands, Inc., Cracker Barrel Old Country Store, Inc.,

Crate and Barrel, Crocs, Inc., CVS/Caremark, Deckers Outdoor Corporation, Delhaize America, DFS, Dick's Sporting Goods, Disney Stores, Dollar General Corporation, Dollar Tree, Inc., Dots, LLC, Eastern Mountain Sports, Event Network, Inc., Farmer's Home Furniture, FedEx Office, Follet Corporation, Foot Locker, Inc., Forever 21, Inc., GameStop, Inc., General Nutrition, Inc., Genesco, Inc., Genuine Parts, Giant Eagle, Inc., H&R Block, Inc., Haggar Clothing Company, Hallmark Cards, Inc., Hanesbrands, Inc., Harley-Davidson, Inc., Harris Teeter, Inc., Helzberg's Diamond Shops, Inc., Hennes and Mauriz, LP, Hess Corporation, Holiday Stationstores, Inc., Hot Topic, Inc., Ingles Markets, Inc., J.C. Penney Company, Inc., J. Crew, Jockey International Inc., Kohl's Corporation, Kum and Go, LC, L.L. Bean, Inc., LF USA, Limited Brands, Inc., Limited Stores LLC, Loblaw Companies Limited, Lord & Taylor, Lowe's Companies, Inc., LS Travel Retail North America, lululemon athletica usa, Luxottica Retail US, Macy's, Inc., Marathon Oil Company, Mars North America, McDonald's Corporation, McLendon Hardware, Inc., Molton Brown USA, Inc., Nash Finch Company, Navy Exchange Service Command, NBTY, Inc., Neiman Marcus Group, Nestle USA, Inc., New Balance Athletic Shoe, Inc., Nike, Inc., Office Depot, Oxford Industries, Inc., Panda Restaurant Group, Inc., Papa John's International, Inc., PETCO Animal Supplies, Inc., Phillips-Van Heusen Corporation, Pier 1 Imports, Inc., ProBuild Holdings, Inc., Publix Super Markets, Inc., QVC, Inc., Rack Room Shoes, Inc., Recovery Management Corporation, Recreational Equipment, Inc., Reebok International, Inc., Rite Aid Corporation, Saks, Incorporated, Savers, Inc., Shoe Carnival, Inc., Shoe Dazzle.com, Inc., Smile Brands, Inc., Spartan Stores, Inc., Spencer Gifts, LLC, SuperValu, The Coca-Cola Company, The Golub Corporation, The Kroger Company, The Pantry, Inc., The Sports Authority, Inc., The TJX Companies, Inc., The Walt Disney Company, Total Wine & More, Tractor Supply Company, TRP Acquisition, Inc., ULTA Salon, Cosmetics & Fragrance, Inc., Under Arnour, Inc., Universal Orlando, University Book Store, US Foods, Vail Resorts, Inc., Valero Energy Corporation, Vera Bradley, Inc., V. F. Corporation, Walgreen Company, Wal-Mart Stores, Inc., Warnaco, Inc., Wegmans Food Markets, Inc., Whole Foods Market, Inc., Winn-Dixie Stores, Inc., Zale Corporation and West Marine, Inc.

D. ELEMENTS OF EXECUTIVE COMPENSATION

On an annual basis, our Compensation and Leadership Development Committee reviews base salary, performance-based bonus target opportunity and long-term incentive grant value for each NEO to consider changes for the upcoming fiscal year. Benefits also are reviewed annually and changes are made less often.

The following shows a comparison of the annual base salary, potential bonus percentage and equity awards granted to each of our NEOs for fiscal year 2012 and 2013:

Name	Base Salary		Performance-Based Annual Cash Bonus As % of Base Salary		Equity Grants (in #s)			
					Options	RSUs	Options	RSUs
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2013	FY2012	FY2012
Matthew L. Hyde	$600,000	$600,000	100	N/A	26,667	26,667	100,000(1)	40,000 (1)
Thomas R. Moran	$349,781	$331,563	50	same	11,000	11,000	16,500	8,250
Barry Kelley	$320,000(2)	$275,000	40(3)	same	8,333(3)	8,333(3)	12,500(3)	6,250(3)
Ronald Japinga	$369,513	$357,067	50	same	11,000	11,000	16,500	8,250
Bruce Edwards	$286,483(4)	$372,115	50	same	11,000(5)	11,000(5)	16,500	8,250

(1) Equity awards were granted as part of Mr. Hyde's new hire incentive compensation package in June of 2012. Of these, 60,000 constituted options granted as a new hire incentive and 40,000 were standard incentive compensation. The options have a term of seven years and vest over a three-year period. In additions, Mr. Hyde was awarded 40,000 RSUs (20,000 as a new hire incentive and 20,000 as regular compensation), which vest over a three-year period.

(2) Reflects Mr. Kelley's salary increase effective December 5, 2013 upon his appointment as Executive Vice President-Stores & Port Supply.

(3) Reflects Mr. Kelley's cash bonus percentage and equity awards while Senior Vice President - Port Supply prior to his promotion in December 2013.

(4) Reflects Mr. Edwards' salary increase effective March 3, 2013. Mr. Edwards resigned as Executive Vice President of Stores, Port Supply and Direct-to-Consumer, effective September 20, 2013. Severance pay of $96,096 is not reflected in this amount.

(5) Mr. Edwards received stock option grants and RSU awards on June 3, 2013: however, these grants and awards were forfeited on Mr. Edwards' employment termination date.

Base Salary

We use cash compensation (annual base salary) to provide meaningful but appropriate, stable compensation to all of our associates, including our Executives. Our Committee carefully reviews the salaries of executives at peer companies as summarized by FW Cook's report on Peer Group Benchmark Data to ensure that our Executives' salaries are consistent and competitive, considering factors such as the Executive's job scope and responsibilities, the competitive rates for similar positions as indicated by the Peer Group Benchmark Data, and the recommendations by our CEO and Vice President of Human Resources for each Executive's salary range. The Committee approves the salaries of our NEOs, but delegates authority to our CEO to set other Executive salaries within the approved range. In approving the range, our Committee also considers whether the particular Executive is expected to make a significant contribution in the Executive's position such that we would suffer a critical loss if the Executive left West Marine.

Merit increases are considered annually for all associates based on achievement of individual objectives (including personal, operational and financial performance targets specific to the responsibilities of each associate), as well as achievement of overall performance, using metrics such as sales growth, operating margins and cost containment. After the close of each fiscal year, individual performance is measured against these goals in evaluating increases to salary levels.

Between 2008 and 2011most of our Executives received no salary increases because of the economic climate. After carefully managing our expenses and realizing steady growth in sales and profitability, in 2012 our Compensation and Leadership Development Committee, based upon the recommendation of FW Cook, approved modest salary increases ranging from 2.5% to 4.2% for our NEOs, other than the CEO with no increase given to the CEO. For 2013, assessed against the base salaries of our Peer Group Benchmark Companies, FW Cook noted that the base salary for our CEO was positioned about 6% below the peer median and near the 25th percentile, while the other covered Executives were positioned within range of the median. As a result, our Committee provided a modest 3% merit increase to each NEO, except for our CEO, who declined to accept an increase, and our new Executive Vice President – Stores and Wholesale appointed in December 2013,who received an increase in base salary in connection with his promotion.

Annual Cash Incentive Compensation (Bonus)

We use annual incentive cash compensation at reasonable levels to reward short-term performance of our Executives, while focusing their attention on initiatives and actions believed to be important for achievement of our longer-term strategic goals. Our Compensation and Leadership Development Committee establishes incentive compensation to reward company-wide versus individual performance objectives by linking cash bonus awards to specific financial performance targets. Prior to the beginning of each year, our Executives propose key financial thresholds for the year that are believed to be challenging, but attainable, targets, and these targets are then evaluated and approved by our Compensation and Leadership Development Committee.

Under our annual bonus program, each Executive is given a target bonus equal to a fixed percentage of base salary. The target percentage ranges from 25% to 100% of base salary, with the percentage increasing based on job responsibility. The targets generally are reviewed annually by the Committee, and like base salaries, are based on job scope and responsibilities, and position within the Company. Our CEO's target bonus percentage in 2013 was 100% of his base salary and the target bonus percentage for our other NEOs was 50%.

In order to be eligible for a bonus payout, our plan required the achievement of two financial metrics: pre-bonus, pre-tax profit (weighted as 70%) and total sales (weighted at 30%). The following chart shows the potential and actual bonus payouts made to our NEO's for fiscal year 2013 (in millions):

Performance Metrics	Weighting	Minimum $ Threshold for Payout	Minimum % Payout	Target Amount for 100% Payout	Allocation of 100% Payout(2)	Target Amount for Maximum 140% Payout	Allocation of Maximum 140% Payout(2)	Actual % Met	Actual $ Met
Pre-bonus, Pre-tax Profit(1)	70%	$28.4	35%	$36.0	70%	$43.5	98%	—%	$15.4
Total Company Sales	30%	$674.1	15%	$723.4	30%	$726.0	42%	—%	$663.2
Total	100%		50%		100%		140%	—%	

(1) Pre-bonus, pre-tax profit is defined as net income before taxes adjusted to exclude expenses related to gain from foreign currency conversion, bonus accruals for all bonus-eligible stores, support center and distribution center associates and any unusual, non-operating items as approved by the Committee (no such unusual or non-operating items were present in 2013).

(2) The bonus payout potential increased on a sliding scale to 100% for meeting stretch, or target, goals with a maximum bonus payout potential of 140%.

No bonus was paid to our NEO's or other bonus-eligible associates because we failed to meet our financial performance metrics for fiscal year 2013.

Long-Term Equity Incentive Compensation

Our Compensation and Leadership Development Committee views long-term equity-based compensation as a critical component of the overall Executive Compensation program. The principal objectives for long-term equity-based compensation are to:

- Strengthen the link among our financial performance, stockholder value and long-term incentive compensation;
- Promote increased equity ownership by our Executives;
- Encourage Executive retention through use of multiple-year vesting periods; and
- Provide competitive levels of total compensation to our Executives.

We structure overall compensation so that a significant portion of Executive Compensation is realized only when our stock price increases.

In furtherance of these goals, our stockholder-approved *Equity Incentive Plan* permits a variety of equity awards, and historically we have provided our Executives long-term equity incentive compensation through awards of stock options. However, in 2011, our Committee began varying the mix of equity awards to include RSUs and, for 2013, our Committee looked at increasing the mix of awards to a 67% RSU/33% stock option mix , believing that this would create a structure and pay mix that is consistent with best practices, provide grant values at competitive levels, assist in efforts to reduce our burn rate to the median of our Peer Group Benchmark Companies and help to minimize stockholder dilution. However, lower volatility reduced the Black-Scholes value of the stock options, resulting in the issuance of an equal number of options to RSUs.

Our Executives and other management-level associates generally receive equity awards once each year (historically the first business day in June for 2013 and, for 2014 forward, the first business day in March), and the number of shares awarded is determined by job level. All equity awards to our NEOs are approved by our Compensation and Leadership Committee. For other associates (including certain management-level associates), the Committee approves equity awards available to be granted based on the associate's job level, and a committee comprised of our CEO, CFO and Vice President of Human Resources is then authorized to determine the number of equity awards granted to these associates within certain parameters per job level up to the overall number of awards pre-approved by the Compensation and Leadership Development Committee. Awards to newly-hired associates are granted effective as of the 10th business day of the calendar month following the associate's date of hire, and off-cycle grants (i.e., due to promotion) are granted effective as of the third business day following the release of quarterly earnings which occurs immediately after the date of the promotion. The policy for granting equity awards has been designed, in part, to avoid questions of whether the timing of the grants is affected by material non-public information.

For 2013, our Committee again engaged FW Cook to advise them on whether our long-term equity compensation practices are consistent with market trends, and based on the Peer Group Benchmark Data, FW Cook found our equity incentive programs to be competitive. See "- Elements of Executive Compensation" above for equity awards granted to our NEOs in 2013. In line with peer group practices, stock options and RSUs awarded to our Executives in 2013 vest annually over a three-year period, commencing on the one-year anniversary of the grant date, at a rate of 33%, 33% and 34%, respectively. Stock options have a term of seven years.

Performance-Based RSUs Added for 2014

During 2013, our Compensation and Leadership Development Committee continued to review best practices of our Peer Group Benchmark Companies, the recommendations from our stockholders and the analysis from the proxy advisory firms in connection with our long-term incentive plan. As a result, in February of 2014, our Committee approved long-term incentive awards for Executives with a 67/33% ratio of total long-term equity incentive compensation of RSUs to PVUs, with the latter tied to ROIC. The Committee believed this split would best balance the long-term focus on stockholder value creation and our compensation objective of retaining our leadership team, particularly as we continue to evolve our Company from a core boating supply company to a broader waterlife outfitter.

The performance cycle for these PVUs is the same as our 2014 fiscal year. The ROIC performance measure was set at the beginning of our performance cycle. At the end of the performance cycle, the percent of the target award earned will be determined pursuant to a payout matrix that the Committee established. Once the performance cycle ends, the actual PVUs earned are then subject to an additional two-year cliff vesting requirement, which means that the participant must remain continuously employed with the company during the year in which the PVU vests before the participant vests in any of the PVUs for that year. Following vesting, upon determination by our Committee, the PVUs are paid out in shares of West Marine common stock.

The payout matrix sets forth a range of payout percentages relative to the company’s actual ROIC results for the 2014 fiscal year. The company views ROIC as the appropriate metric as many of our stockholders measure our performance against ROIC, and ROIC closely aligns with our strategic objectives of disproportionately investing in our store optimization, eCommerce and merchandise expansion strategies for increased profitability over the near and long-term.

The payout percentages under the payout matrix ranges from 0% to 150%. The performance goal and actual awards of PVUs will be determined as follows:

Performance Level	FY 2014 (“FY 2014”) Ending ROIC Performance Goal	PVU % Awarded Based on ROIC % Achieved
Threshold	5.61%	50%
Target	6.34%	100%
Maximum	6.87%	150%

No PVUs will be awarded if our fiscal year 2014 ending ROIC performance goal is below 5.61%; no PVUs in excess of 150% will be awarded under any circumstances; and the number of PVUs awarded at performance levels between threshold and target and between target and maximum will be interpolated on a straight-line basis.

E. COMPENSATION RISK ANALYSIS

Our Committee reviewed and assessed with management and FW Cook our compensation policies and plans, including the design, payment methodology, potential payment volatility, relationship to our financial results, length of performance period, risk mitigation features, performance measures and goals, oversight and controls, and plan features and values compared to market practices. Moreover, our Committee considered the following compensation programs attributes as mitigating risk-taking incentives: that our Executive Compensation program is overseen by our Committee comprised solely of independent Directors; base salaries are fixed and do not create any inappropriate incentive for risk-taking; our incentive-based cash compensation program contains a blend of performance measures designed to motivate sustained performance in key strategic areas and has a capped payout; for 2014, we provided for a performance component in the form of PVUs measured by ROIC , with vesting requirements over a three-year period; our *Stock Ownership Policy* serves to ensure that our Directors and Executives subject to the policy are committed to long-term performance and sustained stock price growth; and in 2013 we implemented a *Clawback Policy* as described below.

In its assessment, our CEO and our Compensation and Leadership Development Committee reviewed the potential effects of the various components of our compensation and benefits programs upon individual and collective behavior and, ultimately, upon our risk profile and our overall approach to risk management. Based on this review, our Committee believes that the Company's Executive Compensation programs are aligned with the interests of stockholders, appropriately rewards pay for performance, and do not create incentives for inappropriate risk-taking by any of our associates, including Executives.

For more information about our Compensation and Leadership Development Committee's management of risks arising from our compensation policies and programs, see "Risk Management Oversight" under "Corporate Governance Framework" on page 11 of this Proxy Statement.

F. CLAWBACK POLICY

One of the objectives of our Executive Compensation program is to make a substantial portion of compensation dependent on the Company's overall financial performance. In the event of a material financial restatement (whether or not fraud or other intentional misconduct was involved) our Compensation and Leadership Development Committee, in its discretion, refers the matter and its recommendation as to an appropriate remedy to the full Board for consideration. Our Board may determine to recover the incentive compensation (e.g., cash bonus and PVUs) paid to any of our NEOs and may terminate his or her employment, depending on the particular facts and circumstances giving rise to the restatement. In its discretion, our Compensation and Leadership Development Committee or the Board also may decline to seek recovery under the *Clawback Policy*.

G. STOCK OWNWERSHIP POLICY

To better link the interests of management and stockholders, our Compensation and Leadership Development Committee has determined that our Executives at the senior vice president level and above should acquire and maintain during the term of their employment a significant amount of our equity to ensure that their interests are aligned with those of our stockholders. Our Committee also has acknowledged that the acquisition of our equity should not represent a significant financial burden on these associates.

The multiple of base salary to be directly or indirectly owned in common stock by our NEOs depends on the Executive's role with West Marine, as shown below. The Committee has assigned these particular multiples to match or exceed market practice, and to represent a significant portion of the overall compensation package to reinforce the alignment of management's decision-making with stockholder interests.

Stock Ownership Multiples of Base Salary	
Position	**Multiple of Base Salary**
CEO & President - Matthew L. Hyde	4x
Executive Vice Presidents - Tom Moran, Barry Kelley and Ronald Japinga	1.5x
Senior Vice Presidents	1x
Position	**Multiple of Annual Retainer**
Non-employee Directors	6x

For purposes of determining stock ownership, owned shares include:
- Common stock
- Shares purchased through our *Stock Buying Plan*
- Time-vested RSUs (vested and unvested)
- Shares retained upon exercise of stock options
- Vested PVUs (after performance is determined)

Ownership shares do <u>not</u> include:
- Unvested or vested stock options
- Unvested PVUs

Our Compensation and Leadership Development Committee reviews ownership levels on a quarterly basis to ensure compliance with this policy by our covered Directors and Executives.

Share Thresholds, Holding Periods and Retention Ratios

To ensure that progress is made toward ownership goals and that ownership thresholds are maintained once met, our Committee required the following provisions in our *Stock Ownership Policy*:

- A one-year holding period for any stock purchased through our *Stock Buying Plan*;
- Executives are required to hold shares until stock ownership requirements are met as follows:
  - 50% of the after-tax shares from exercised options and stock purchased under our *Stock Buying Plan*; and
  - 75% of the after-tax shares from RSUs and PVUs must be retained by our Executives subject to the *Stock Ownership Policy*;
- Executives must maintain the stock ownership threshold requirement for the term of his or her employment; and
- Directors must maintain the stock ownership threshold for so long as they serve on our Board.

H. LIMITED PERQUISITES AND PERSONAL BENEFITS

We provide our Executives with certain perquisites and other personal benefits that our Compensation and Leadership Development Committee believes are reasonable and consistent with our overall Executive Compensation program and philosophy. These benefits are provided in order to enable us to attract and retain these Executives. The perquisites and benefits provided to our Executives are reviewed by the Committee at least annually to determine if they are still reasonable and appropriate in light of all facts and circumstances, including the competitive environment.

We do not provide perquisites for former and/or retired Executives, such as lifetime benefits or car allowances.

In order to help protect an Executive's family in the event of death, we provide our Executives with additional term life insurance (over the amount generally provided to other management-level associates) ranging from $500,000 for assistant vice presidents to $1,500,000 for our CEO. However, Mr. Hyde did not elect to receive additional life insurance during 2013. We do not provide any tax gross-ups.

Additionally, historically, on a case-by-case basis, we have paid sign-on bonuses to recruit certain Executives to our organization and have assisted certain Executives with relocations, including temporary housing allowances, transportation allowances and cost of living assistance for home purchases in the Monterey Bay area. These benefits generally are individually negotiated. In 2013, we did not pay any sign-on bonuses to Executives, but we reimbursed to Mr. Hyde the remaining $267 in relocation expenses incurred for his move from Washington to California and we also paid relocation expenses of $84,848 for our Senior Vice President of Marketing to move from Atlanta, Georgia to Santa Cruz, California.

Our Executives also participate in other employee benefit plans available on a nondiscriminatory basis to other associates, including:

- Merchandise discounts
- Use of company-owned equipment (such as use of the company-leased sailboat, kayaks and other equipment)
- Ability to exchange for cash up to 80 hours of accrued paid time off per year
- Participation in our *Stock Buying Plan*
- Group health, life and disability coverage

In addition to their paid time off, all store general managers, Port Supply market team managers, and Support Center and distribution center associates at a director-level and above, including Executives, who reach 10 years or more of service may elect to take a paid sabbatical equal to six weeks for most such associates and eight weeks for Executives. This sabbatical plan was created by our founder and Chairman of the Board, Randy Repass, to reward associates for their performance, subject to their managers' approval, and to provide these associates with the opportunity to pursue business-related educational programs or other activities affording them fresh insights and/or perspectives about improving operations, and/or allowing them to pursue community service or non-academic goals. We believe that this sabbatical program provides significant value to our stockholders by allowing our associates to avoid job burn out, and return to work with a refreshed and renewed outlook on improving their individual and overall company performance. Unused sabbaticals may not be exchanged for cash.

All qualifying associates, including our Executives, are eligible to participate in our 401(k) savings plan and may make salary deferrals up to the maximum annual deferral permitted by the Internal Revenue Code (the "Code") (in 2013, this limit was $17,500 in regular deferral, and $5,500 in catch up deferral for participants over age 50). West Marine matches 33% of each dollar deferred up to 5% of the participant's annual compensation.

Historically, our Executives and certain other management-level associates were offered participation in our deferred compensation plan, which permitted the participants to defer the receipt of income to a future date (e.g., retirement). While we had the discretion to make matching and other contributions to the deferred compensation plan on behalf of participants, we did not make any. In January 2011, based on the recommendation of the Company's benefits advisory board, our Compensation and Leadership Development Committee elected to freeze plan participation and future contributions for 2011 forward.

We do not provide any other type of retirement benefits to our Executives.

I. POST EMPLOYMENT & SEVERANCE ARRANGEMENTS/ NO CHANGE-IN-CONTROL AGREEMENTS

In addition to the compensation elements described above, we also provide our Executives at the vice president level and above with severance arrangements, which are a common characteristic of compensation for key employees in the retail industry. Due to our size relative to other public companies, we believe that severance benefits are necessary to help us attract and retain necessary skilled and qualified Executives to continue to execute on our strategic initiatives and grow our business.

Our severance arrangements do not contain any single-trigger change-in-control provisions.

Executive Severance Plan

Our Board, upon the recommendation of its Compensation and Leadership Development Committee, approvedour amended *West Marine, Inc. Executive Officer Severance Plan* (the "Severance Plan") effective for any Executive at the Vice President level who was hired after such date. This *Severance Plan* is in effect for our current CEO, Matt Hyde, and our Executive Vice President of Stores and Wholesale, Barry Kelley. It is not in effect for our CFO, Tom Moran or our Executive Vice President of Merchandising, Replenishment and Logistics, Ron Japinga, because they entered into separate agreements prior to the effective date of the *Severance Plan*.

The *Severance Plan* provides that if the eligible Executive's employment is involuntarily terminated without cause or if his or her employment is terminated for good reason, such Executive will be entitled to receive certain severance benefits as follows:

- Cash severance payments equal to the weekly rate of base salary for the applicable severance period based on years of service as set forth in the chart below ("Cash Severance").

POSITION	LESS THAN 1 YEAR	1 YEAR OR MORE BUT LESS THAN 5 YEARS	5 YEARS OR MORE
Chief Executive Officer/President	52 weeks	60 weeks	78 weeks
Executive Vice President	35 weeks	40 weeks	52 weeks
Senior Vice President	27 weeks	31 weeks	40 weeks
Vice President / Regional Vice President	17 weeks	20 weeks	26 weeks

  - Cash Severance, is payable in substantially equal installments over the severance period on regularly-scheduled payroll dates, subject to applicable deductions and withholdings, and commencing as of the first payroll date following forty-five days following termination.
  - Cash Severance is reduced to the extent participants receive compensation from other sources.
- Annual Cash Bonus. If termination occurs during the second half of a fiscal year, the Executive will receive a pro-rata bonus, if any.
- Equity. Executive may exercise his or her vested stock options in accordance with the terms of his or her stock option award agreement (generally 90 days). Unexercised vested stock options and unvested stock options, RSUs or PVUs automatically are forfeited.
- Death of a Participant. All severance benefits immediately cease upon death.
- Re-employment During Severance Period. Severance benefits terminate if the Executive is re-employed by West Marine.
- Tax Withholding. We may withhold for payroll taxes and the Executive is responsible for all taxes.
- Section 409A. Payments are subject to Section 409A of the Code for any Executive defined as "specified employee" thereunder.

Other NEO Severance Arrangements

Messrs. Moran and Japinga are the only remaining NEOs with separate serverance agreements that were entered into prior to the effective date of the *Severance Plan*. The summary terms of each such agreement are outlined in the chart below. Each agreement was negotiated at arms' length and approved by the appropriate Committee in place at the time each agreement was entered into.

Summary Provisions of Serverance Agreements		
Name	**Thomas R. Moran**	**Ronald Japinga**
Position	EVP - CFO	EVP - Merchandising, Replenishment and Logistics
Type of Post Employment Compensation [1]	Cash Severance	Cash Severance
Effective Date Agreement	December 2006 (amended Sept 2007)	September 2004
Triggering Event	Termination for any reason other than cause, death or disability, including constructive termination	Termination for any reason other than cause, death or disability
Cash Payment Term & Amount	12 months of base salary [2]	12 months of base salary
Bonus	Pro-rated bonus [3]	Pro-rated bonus [3]
Medical	None	Group health insurance benefits for 12 months [4]
Equity	Exercisability of vested stock options for 90 days [5]	Exercisability of vested stock options for 15 months [5]

(1) All agreements contain standard general release, non-disparagement and non-solicitation provisions in exchange for such consideration.

(2) Severance amounts are reduced by the amount of compensation earned or paid either as a result of new employment or serving as an independent consultant.

(3) If termination occurs after the first six months of the year for which the bonus relates.

(4) Subject to termination with new health plan.

(5) Unvested equity awards are forfeited on termination.

Additionally, our former Executive Vice President of Stores, Port Supply and Direct to Consumer, Bruce Edwards, voluntarily resigned his position on September 4, 2013. In light of Mr. Edwards' extensive career with West Marine, our Board approved a separation agreement dated September 4, 2013 providing for, among other things, the following severance benefits ("Separation Agreement"): (i) a cash severance payment of $177,408, which was an amount equal to twenty-four (24) weeks ("Severance Period") of his annual base salary; (ii) continued medical and/or dental insurance coverage at the Company's cost, subject to any portion of the costs required to be contributed by Mr. Edwards, over the Severance Period, until the earlier to occur of the end of the Severance Period or Mr. Edwards' employment with another company (or self-employment); (iii) no reimbursement to the Company of amounts paid over his sabbatical period (as employment customarily is required for one year following return to work); and (iv) under the terms of the *Equity Incentive Plan* and respective *Equity Award Agreements* (collectively, the "Award Agreements") (A) Mr. Edwards forfeited any stock options and any RSUs that had not vested as of September 20, 2013, his employment termination date, and (B) he was entitled to exercise any vested stock options under the Award Agreements during the ninety (90) day period following his employment termination date. No cash bonus was earned for any NEO for 2013, including Mr. Edwards. Under the terms of the Separation Agreement, Mr. Edwards is bound by, among other provisions, a full release of all claims related to his employment with the Company and customary non-solicitation, confidentiality, cooperation and non-disparagement obligations.

For a summary of the compensation and benefits that would have been paid to Messrs. Hyde, Moran, Japinga, and Kelley if their employment with West Marine had terminated as of December 28, 2013, see "NEO Post-Employment Summary Payment Tables" on page 45 of this Proxy Statement.

J. TAX DEDUCTIBILITY

Section 162(m) of the Code limits the deductibility of compensation in excess of $1 million paid to our NEOs unless certain requirements are met. Our Compensation and Leadership Development Committee monitors the applicability of Section 162(m) in connection with compensation payable to West Marine's Executives. In this regard, only Mr. Hyde's compensation reasonably might not be fully deductible, and the non-deductible amount would be only a portion of his annual bonus payment. Although the Committee may consider tax deductibility in connection with future compensation decisions, it believes that it is generally not in our stockholders' interest to restrict the Committee's discretion and flexibility in developing appropriate compensation programs and establishing compensation levels and, in some instances, the Committee may approve compensation that is not fully deductible.

COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation and Leadership Development Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with West Marine's management, and based on the review and discussions, the Compensation and Leadership Development Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into West Marine's annual report on Form 10-K for the fiscal year ended December 28, 2013.

March 26, 2014	Compensation and Leadership Development Committee Dennis F. Madsen, Chair Barbara L. Rambo Christiana Shi James F. Nordstrom, Jr.

The Compensation and Leadership Development Committee Report set forth above will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or under the Exchange Act, except to the extent that we specifically incorporate such reports by reference, and such report will not otherwise be deemed to be soliciting materials or to be filed under such Acts.

Summary Compensation Tables

The following table sets forth certain information for fiscal years 2013, 2012, and 2011 concerning the compensation for services in all capacities to West Marine and its subsidiaries earned by, awarded to, or paid to our NEOs, including our former Executive Vice President of Stores, Port Supply and Direct-to-Consumer, Bruce Edwards:

Name and Principal Position	Year	Salary ($)(3)	Stock Awards ($)(4)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)(6)	All Other Compensation ($)(7)	Total ($)
Matthew L. Hyde Chief Executive Officer	2013	600,000	311,737	108,850	—	6,042	1,026,629
	2012	311,538	473,600	474,798	340,000	13,408	1,613,344
Thomas R. Moran Chief Financial Officer	2013	346,571	128,590	44,900	—	6,817	526,878
	2012	331,563	84,563	67,756	93,788	7,738	585,408
	2011	325,000	85,470	70,517	74,239	3,878	559,104
Ronald Japinga Executive Vice President of Merchandising, Replenishment and Logistics	2013	367,442	128,590	44,900	—	19,590	560,522
	2012	357,067	84,563	67,756	101,002	13,147	623,535
	2011	350,000	85,470	70,517	79,949	3,878	589,814
Barry Kelley(1) Executive Vice President of Stores and Wholesale	2013	286,500	97,413	34,014	—	8,864	426,791
Bruce Edwards(2) Former Executive Vice President of Stores, Port Supply and Direct-to-Consumer	2013	286,483	—	—	—	135,326	421,809
	2012	372,115	84,563	67,756	105,259	7,170	636,863
	2011	360,000	85,470	70,517	82,234	3,878	602,099

(1) Mr. Kelley was promoted to the position of Executive Vice President of Stores and Wholesale effective December 5, 2013 and is paid an annual salary of $320,000. Prior to his promotion, Mr. Kelley held the position of Senior Vice President of Port Supply.

(2) Mr. Edwards resigned as Executive Vice President of Stores, Port Supply and Direct-to-Consumer, on September 4, 2013 and his last date of employment was September 20, 2013. For more information regarding payments and other benefits paid to Mr. Edwards, see "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 37 and "NEO Post-Employment Summary Payment Tables" on page 45 of this Proxy Statement. Mr. Edwards' annual base salary was $384,384 until his resignation.

(3) Includes any employee contributions to our 401(k) and non-qualified deferred compensation plans.

(4) This column shows the aggregate grant date fair value of RSUs granted in each year presented. These amounts are used to calculate accounting expense and do not necessarily represent the actual value that will be realized by the NEOs. For a description of the methodology and assumptions used to determine the amounts recognized in 2013, see Note 2 to our consolidated financial statements set forth in our annual report on Form 10-K for the fiscal year ended December 28, 2013 ("2013 Financial Statements").

(5) This column shows the aggregate grant date fair value of stock options granted in each year presented. These amounts are used to calculate accounting expense and do not necessarily represent the actual value that will be realized by the NEOs. For a description of the methodology and assumptions used to determine the amounts recognized in 2013, see Note 2 to our 2013 Financial Statements.

(6) No performance bonus was earned in 2013. Amounts for 2012 represent a performance bonus earned for fiscal year 2012, paid in 2013. Amounts for 2011 represent a performance bonus earned for fiscal year 2011 paid in 2012. With respect to the amounts reported under this column for 2012 and 2011, we previously included these payments in a column captioned "Bonus" in the summary compensation tables in our prior proxy statements but have included such payments under the "Non-Equity Incentive Plan Compensation" column in this Proxy Statement to more accurately reflect the treatment of such compensation.

(7) The amounts reported as All Other Compensation for 2013 consist of the following:

Name	401(k) Plan Matching	Life Insurance Premiums	Executive Relocation(8)	Payout of Accrued Paid-Time-Off	Post-Employment/ Severance Payments
Matthew L. Hyde	$5,775	$—	$267	$—	$—
Thomas R. Moran	2,957	3,860	—	—	—
Ronald Japinga	3,215	2,370	—	14,005	—
Barry Kelley	2,258	1,106	—	5,500	—
Bruce Edwards	2,769	—	—	36,461	96,096

(8) On May 15, 2012, the Board of Directors approved Mr. Hyde's employment offer, which included reimbursement for reasonable relocation expenses for his move from Seattle, Washington to the greater Watsonville, California area. This amount reflect remaining expenses paid in 2013 related to Mr. Hyde's relocation.

Grants of Plan-Based Awards in 2013

The following table sets forth information regarding certain plan-based awards granted to our NEOs during fiscal year 2013.

Name	Estimated Possible Payouts under Non-Equity Incentive Plan Awards[1]			Grant Date	Date Approved[2]	Awards of Stock Options Under Equity Incentive Plan (#Sh)	Awards of Restricted Stock Units Under Equity Incentive Plan (#Sh)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)[3]
	Threshold ($)	Target ($)	Maximum ($)						
Matthew L. Hyde	300,000	600,000	840,000	June 3, 2013	March 13, 2013	26,667	26,667	11.69	420,587
Thomas R. Moran	86,643	173,286	242,600	June 3, 2013	March 13, 2013	11,000	11,000	11.69	173,490
Ronald Japinga	91,861	183,721	143,250	June 3, 2013	March 13, 2013	11,000	11,000	11.69	173,490
Barry Kelley	71,625	143,250	200,550	June 3, 2013	March 13, 2013	8,333	8,333	11.69	131,427
Bruce Edwards[4]	71,621	143,242	200,538	June 3, 2013	March 13, 2013	11,000	11,000	11.69	173,490

(1) The Company did not achieve the threshold performance targets and, therefore, no performance bonus was earned in 2013. For more information, see "Compensation Discussion and Analysis–Elements of Executive Compensation-Annual Cash Incentive Compensation (Bonus)."

(2) The Compensation and Leadership Development Committee met and approved the awards on March 13, 2013, but the awards were made effective as of June 3, 2013 in accordance with the terms of our *Equity Incentive Plan* and *Equity Award Grant Policy*, with an exercise price determined as of the effective date.

(3) Represents the grant date fair value of the stock option grant and RSU award. For a description of the methodology and assumptions used to determine the grant date fair market value, see Note 2 to the 2013 Financial Statements.

(4) Mr. Edwards, our former Executive Vice President of Stores, Port Supply and Direct-to-Consumer, resigned effective September 20, 2013. Mr. Edwards received stock option grants and RSU awards on June 3, 2013; however, these grants and awards were forfeited on Mr. Edwards' termination date.

Under the *Severance Plan*, Messrs. Hyde and Kelley, and under his agreement, Mr. Moran, upon a termination without cause or for good reason, each has the right for a period of 90 days to continue to exercise any stock options that are vested on the date of the termination or resignation for good cause, as applicable. Under his agreement, Mr. Japinga has the right for a period of 15 months following a termination without cause to exercise any stock options that are vested on that date. Mr. Edwards' separation agreement provided for a period of ninety (90) days to exercise vested stock options following his employment termination date. He exercised all options within that 90 day window. For more information, see "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 37 of this Proxy Statement.

West Marine made no material modifications to any outstanding equity-based awards during the last fiscal year (e.g., repricing, extension of exercise periods or change of vesting or forfeiture conditions).

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding outstanding stock options and outstanding RSU awards held by our NEOs and outstanding as of December 28, 2013.

	Option Awards				Restricted Stock Units	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Restricted Stock Units That Have Not Vested (#)	Market Value of Restricted Stock Units That Have Not Vested ($)
Matthew L. Hyde	—	26,667	11.6900	June 3, 2020	26,667[3]	377,071
	33,000	67,000[1]	11.8400	July 16, 2019	26,800[3]	378,952
Thomas R. Moran	—	11,000[1]	11.6900	June 3, 2020	11,000[3]	155,540
	5,445	11,055[1]	10.2500	June 1, 2019	5,528[3]	78,166
	11,001	5,499[1]	10.3600	June 1, 2018	2,749[3]	38,871
	33,000	—[2]	10.9700	June 1, 2015		
Ronald Japinga	—	11,000[1]	11.6900	June 3, 2020	11,000[3]	155,540
	5,445	11,055[1]	10.2500	June 1, 2019	5,528[3]	78,166
	11,001	5,499[1]	10.3600	June 1, 2018	2,749[3]	38,871
	33,000	—[2]	10.9700	June 1, 2015		
Barry Kelley	—	8,333[1]	11.6900	June 3, 2020	8,333[3]	117,829
Bruce Edwards[4]	—	—	—	—	—	—

(1) These stock options vest in three installments of 33%, 33% and 34% on each anniversary of the grant date. The stock options are exercisable for a period of seven years from the date of grant, subject to earlier termination. See "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" and "NEO Post-Employment Summary Payment Tables" for a description of earlier termination events.

(2) These stock options vest in three installments of 33%, 33% and 34% on each anniversary of the grant date. The stock options are exercisable for a period of five years from the date of grant, subject to earlier termination. See "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" and "NEO Post-Employment Summary Payment Tables" for a description of earlier termination events.

(3) Grants made in 2012 and 2013 vest in three installments of 33%, 33% and 34% on each anniversary of the grant date.

(4) Mr. Edwards, our former Executive Vice President of Stores, Port Supply and Direct-to-Consumer, resigned effective September 20, 2013. Mr. Edwards received stock option grants and RSU awards on June 3, 2013, however, these grants and awards were forfeited on Mr. Edwards' resignation date. Mr. Edwards exercised and sold all In-the-Money exercisable stock options during 2013.

Option Exercises and Restricted Stock Unit Vesting

The following table sets forth information related to the exercise of stock options and the vesting of RSUs during fiscal year 2013.

	Stock Options		Restricted Stock Units	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Matthew L. Hyde	—	—	13,200	158,796 [5]
Thomas R. Moran[1]	11,220	76,262	5,471	63,682 [6]
Ronald Japinga[2]	8,240	53,690	5,471	63,682 [6]
	7,700	50,074		
	20,276	134,933		
	33,000	208,959		
	15,000	109,200	3,728	43,394 [6]
	1,354	10,517		
	8,646	67,007		
Barry Kelley[3]	20,000	133,900		
Bruce Edwards[4]	18,368	137,938	5,471	63,682 [6]
	5,775	35,890		
	5,000	31,822		
	5,000	31,775		
	5,000	26,816		
	2,325	15,589		
	4,106	7,062		
	3,894	6,698		
	2,356	4,524		
	7,388	14,185		
	256	492		
	324	704		
	7,176	15,238		
	7,500	18,150		
	11,001	24,532		
	5,039	11,287		
	406	909		

(1) Mr. Moran was awarded 8,250 RSUs on June 1, 2011 with a vesting to occur in three equal installments, on June 1, 2012, June 1, 2013 and June 1, 2014. Mr. Moran also was awarded 8,250 RSUs on June 1, 2012 with a vesting to occur in three equal installments, on June 1, 2013, June 1, 2014 and June 1, 2015. Mr. Moran exercised 11,220 stock options and sold 7,510 of the underlying shares in March 2013.

(2) Mr. Japinga was awarded 8,250 RSUs on June 1, 2011 with a vesting to occur in three equal installments, on June 1, 2012, June 1, 2013 and June 1, 2014. Mr. Japinga was also awarded 8,250 RSUs on June 1, 2012 with a vesting to occur in three equal installments, on June 1, 2013, June 1, 2014 and June 1, 2015. In addition, Mr. Japinga exercised 69,216 stock options and sold 55,536 of the underlying shares from January 25, 2013 through November 4, 2013.

(3) Mr. Kelley was awarded 5,000 RSUs on June 1, 2011 with a vesting to occur in three equal installments, on June 1, 2012, June 1, 2013 and June 1, 2014. Mr. Kelley also was awarded 6,250 RSUs on June 1, 2012 with a vesting to occur in three equal installments, on June 1, 2013, June 1, 2014 and June 1, 2015. In addition, Mr. Kelley exercised 45,000 stock options and sold 36,503 of the underlying shares in February 2013.

(4) Mr. Edwards was awarded 8,250 RSUs on June 1, 2011 and the first two tranches vested on June 1, 2012 and June 1, 2013, respectively. The third tranche of this award was forfeited on Mr. Edwards' termination date of September 20, 2013. Mr. Edwards also was awarded 8,250 RSUs on June 1, 2012 and the first tranche vested on June 1, 2013. The second and third tranches were forfeited on Mr. Edwards' termination date of September 20, 2013. In addition, Mr. Edwards exercised 90,914 stock options and sold 83,389 of the underlying shares from February 25, 2013 through November 27, 2013.

(5) Based on a price per share of $12.03, which was the average share price of West Marine's common stock on the NASDAQ Global Market on July 16, 2013, the date the RSUs vested.

(6) Based on a price per share of $11.64, which was the average share price of West Marine's common stock on the NASDAQ Global Market on May 31, 2013, the date the RSUs vested.

Nonqualified Deferred Compensation

The following table sets forth information regarding deferrals, earnings and distributions under the West Marine Deferred Compensation Plan for fiscal year 2013 and the deferred compensation account balance as of fiscal year end:

Name	Executive contributions in last fiscal year ($)	Registrant contributions in last fiscal year ($)	Aggregate earnings in last fiscal year ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at December 28, 2013 ($)
Matthew L. Hyde	—	—	—	—	—
Thomas R. Moran	—	—	—	—	—
Ronald Japinga	—	—	—	—	—
Barry Kelley	—	—		—	—
Bruce Edwards[(1)]	—	—	27,132	24,292	94,172

(1) Mr. Edwards elected to receive an in-service payout over a five-year period commencing in April 2010. The balance of his deferred compensation will be paid to Mr. Edwards during 2014.

Prior to the end of fiscal 2010, eligible associates were able to defer the receipt of up to 50% of base salary and up to 100% of bonus and other cash incentive compensation under our deferred compensation plan. Our Compensation and Leadership Development Committee approved the suspension of participant contributions to the deferred compensation plan beginning in 2011. In the event the Plan is unfrozen, West Marine may elect to make matching contributions or other discretionary contributions to the deferred compensation plan but has not done so to date. Amounts deferred under the plan are credited with earnings at market rates, based upon the participant's choice of investments. The participant may elect to change an investment choice at any time. In 2013, the reference funds for the investments earned the following rates of return:

West Marine, Inc. Deferred Compensation Plan — 2013 Annual Returns	
MSF BlackRock Money Market	—%
Western Asset U.S. Government	(0.74)%
MIST Clarion Global REIT	3.76%
Legg Mason Social Awareness	18.71%
T. Rowe Price Large Cap Growth	38.77%
MFS Total Return	18.75%
Janus Aspen Global Research	28.08%
Harris Oakmark International	30.80%
Frontier Mid Cap Growth Port	32.63%
Russell 2000 Index Portfolio	38.55%
Dreyfus Opport Small Cap	48.55%
MFS MetLife Stock Index	31.78%

NEO POST-EMPLOYMENT SUMMARY PAYMENT TABLES

The following tables summarize the compensation and benefits each NEO would have been entitled to receive under the *Severance Plan* or his individual severance agreement if his employment with West Marine had terminated as of December 28, 2013. The tables do not include amounts payable under the deferred compensation plan, the 401(k) plan or the employee benefit plans in which associates are eligible to participate on a non-discriminatory basis (e.g., stock purchase plan, group health, group term life, accidental death and disability and long-term disability) because termination of employment will not automatically trigger payment or payout of any such benefit. For more information see "Compensation Discussion and Analysis–Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 37 of this Proxy Statement.

Mr. Hyde:

Executive Benefit and Payments Upon Termination	Voluntary Termination	Involuntary (Not for Cause or Constructive) Termination	For Cause Termination	Change in Control with Involuntary Termination[1]	Death
Compensation:					
Base Salary	—	$ 600,000	—	$ 600,000	—
Benefits and Perquisites:					
Accrued vacation pay	$ 29,538	$ 29,538	$ 29,538	$ 29,538	$ 29,538
Total:	$ 29,538	$ 629,538	$ 29,538	$ 629,538	$ 29,538

(1) Our severance arrangements do not contain any single-trigger change-in-control provisions.

Mr. Moran:

Executive Benefit and Payments Upon Termination	Voluntary Termination	Involuntary (Not for Cause or Constructive) Termination	For Cause Termination	Change in Control with Involuntary Termination[1]	Death
Compensation:					
Base Salary	—	$ 349,773	—	$ 349,773	—
Benefits and Perquisites:					
Life insurance proceeds	—	—	—	—	750000 [2]
Accrued vacation pay	$ 21,094	$ 21,094	$ 21,094	$ 21,094	21,094
Total:	$ 21,094	$ 370,867	$ 21,094	$ 370,867	$ 21,094

(1) Our severance arrangements do not contain any single-trigger change-in-control provisions.

(2) In 2014, Mr. Moran's life insurance proceeds will increase to $1,000,000 as a result of his promotion to Executive Vice President.

Mr. Japinga:

Executive Benefit and Payments Upon Termination	Voluntary Termination	Involuntary (Not for Cause or Constructive) Termination	For Cause Termination	Change in Control with Involuntary Termination[1]	Death
Compensation:					
Base Salary	—	$ 369,512	—	$ 369,512	—
Benefits and Perquisites:					
Post-termination health care	—	$ 4,033	—	—	—
Life insurance proceeds	—	—	—	—	$ 1,000,000
Accrued vacation pay	$ 36,212	$ 36,212	$ 36,212	$ 36,212	36,212
Total:	$ 36,212	$ 409,757	$ 36,212	$ 405,724	$ 1,036,212

(1) Our severance arrangements do not contain any single-trigger change-in-control provisions.

Mr. Kelley:

Executive Benefit and Payments Upon Termination	Voluntary Termination	Involuntary (Not for Cause or Constructive) Termination	For Cause Termination	Change in Control with Involuntary Termination[1]	Death
Compensation:					
Base Salary	—	$ 320,000	—	$ 320,000	—
Benefits and Perquisites:					
Life insurance proceeds	—	—	—	—	$ 600,000
Accrued vacation pay	$ 22,587	$ 22,587	$ 22,587	$ 22,587	22,587
Total:	$ 22,587	$ 342,587	$ 22,587	$ 342,587	$ 622,587

[1] Our severance arrangements do not contain any single-trigger change-in-control provisions.

Bruce Edwards resigned his position as Executive Vice President - Stores, Port Supply and eCommerce effective September 20, 2013, and pursuant to his Separation Agreement, he received the severance benefits as described under "Compensation Discussion and Analysis–Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 37 of this Proxy Statement.

VI. NON-EMPLOYEE DIRECTOR COMPENSATION

Annual Compensation Package

Our Board believes that Director compensation should be competitive with other companies of similar size and performance and be paid in the form common stock to align the interests of Directors with those of our stockholders. In March of 2013, our Compensation and Leadership Development Committee commissioned FW Cook to perform a comparative study of Director compensation for the same peer group used for Executive Compensation. The study noted that overall, the independent Director compensation program was well-designed, but FW Cook recommended a few changes in compensation to keep pace with governance trends and best practices. As a result, upon the Committee's recommendation, our Board approved the changes to Director compensation commencing with the March 2013 meetings as reflected in the following chart and continuing through fiscal year 2014.

DIRCTOR COMPENSATION ITEM(1)	FY 2013 and FY 2014
Board Retainer	• $40,000
Board Meeting Fee	• No fees up to seven scheduled (plus two unscheduled) meetings • $2,000 per any additional meeting
Compensation and Leadership Committee Retainer	• Member: $7,500 • Chair: $15,000 (no change)
Nomination and Governance Committee Retainer	• Member: $5,000 • Chair: $10,000
Audit and Finance Committee Retainer	• Member: $13,000 (no change) • Chair: $20,000 (no change)
Lead Director Retainer	• $15,000
Chairman of Board Retainer(2)	• $115,000 • No other cash/Board fees • No equity awards
Annual Equity Grant(3)	• $50,000

(1) All annual Board and Committee retainers are paid in quarterly installments.

(2) Our Chairman of the Board, Randolph K. Repass, started receiving his $115,000 retainer in March 2013. Mr. Repass beneficially owns 6,502,776 shares, or approximately 26.7%, of our outstanding common stock. Mr. Repass has not been granted any stock options since our initial public offering in 1993 and receives no other cash compensation.

(3) All equity awards are granted as in accordance with the following terms:
- Granted on the date of each annual meeting.
- Granted in the form of RSUs (except a Director may elect to receive up to 50% in the form of stock options).
- RSUs, as full value shares, count as 2x the shares granted to every one stock option granted.
- The options are granted with an exercise price equal to 100% of the fair market value of West Marine's common stock on the grant date and have a term of seven years.
- All options and RSUs vest on the earlier of one year following the date of grant or the subsequent year's annual meeting date.

Expense Reimbursement

Travel Reimbursement: Our independent Directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred by them that are incidental to their Committee and Board service.

Medical Benefits: Independent Directors are not eligible to participate in our health plan.

Merchandise Discounts: For his or her term, a Director may participate in the merchandise discount program which is made available to all associates.

Directors who are associates of West Marine receive no compensation for serving on the Board.

Non-Employee Director Summary Compensation Table

The following table sets forth certain information for fiscal year 2013, concerning the compensation for services in all capacities to West Marine and its subsidiaries earned by, awarded to, or paid to Mr. Repass and the independent Directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(3)	Option Awards ($)(3)	Total ($)
Randolph K. Repass	111,539	—	—	111,539
Dennis F. Madsen	60,001	49,973	19,322 (4)	129,296
Barbara L. Rambo	85,500	49,973	—	135,473
James F. Nordstrom, Jr.	47,500	49,973	—	97,473
Robert D. Olsen(1)	36,500	49,973		86,473
Alice M. Richter	65,000	49,973	—	114,973
Christiana Shi	60,500	49,973	—	110,473
David McComas(2)	22,500	—	—	22,500

(1) Mr. Olsen was appointed to the Board at the 2013 Annual Meeting at which time his cash compensation for Committee and Board service commenced. Upon such appointment, he also received equity awards commensurate with those granted to our other independent Directors.

(2) Mr. McComas received pro-rated Director fees through the 2013 Annual Meeting.

(3) These two columns show the aggregate grant date fair value of restricted stock awards and stock options granted in 2013 to our independent Directors. These amounts are used to calculate accounting expense and do not necessarily represent the actual value that will be realized by our independent Directors. For a description of the methodology and assumptions used to determine the amounts recognized in 2013, see Note 2 to the 2013 Financial Statements.

(4) In 2012, Mr. Madsen was the only Director who elected to receive half of his annual equity award in stock options. When West Marine issued the equity award to Mr. Madsen, it inadvertently issued the same number of stock options as he had received in restricted stock, even though he should have received a higher number of stock options because each stock option has a lower economic value than a share of restricted stock. To correct this, the Board approved the issuance of additional stock options to Mr. Madsen as of the date of the 2013 Annual Meeting with an exercise price equal to the greater of the market price of our common stock as of the 2012 Annual Meeting or the 2013 Annual Meeting. Because the market price of our common stock as of the date of the 2013 Annual Meeting was higher than it was as of the date of the 2012 Annual Meeting, Mr. Madsen received additional stock options such that the Black-Scholes valuation of the new option grant was equal to the Black-Scholes value of the additional options he should have received as of the 2012 Annual Meeting.

The following table sets forth information regarding stock options and restricted stock awards held by Directors (other than our CEO, Matthew Hyde) and outstanding as of December 28, 2013:

	Option Awards				Restricted Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Nonexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested ($)(1)
Randolph K. Repass	—	—	—	—	—	—
Dennis F. Madsen	—	—	—	—	4,053	57,309
	4,664	—	$12.3300	May 17, 2019		
	2,027	—	$9.8700	May 19, 2019		
James F. Nordstrom, Jr.	—	—	—	—	4,053	57,309
Robert D. Olsen(2)	—	—	—	—	4,053	57,309
Barbara L. Rambo	—	—	—	—	4,053	57,309
	3,000	—	$5.9700	May 20, 2014		
Alice M. Richter	—	—	—	—	4,053	57,309
Christiana Shi	—	—	—	—	4,053	57,309
David McComas(3)	3,000	—	$17.2650	May 11, 2015	—	—
	2,000	—	$26.2800	May 12, 2014		

(1) Based on a price per share of $14.14 which was the closing share price of our common stock on the NASDAQ Global Market on December 27, 2013.

(2) Mr. Olsen was appointed to the Board at our Annual Meeting that was held on May 16, 2013.

(3) Mr. McComas will be able to exercise such stock options for the balance of the remaining term of each award.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information about West Marine's equity compensation plans as of December 28, 2013. All outstanding awards relate to West Marine's common stock.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	(b) Weighted-average exercise price of outstanding options, warrants and rights ($)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (#)
Equity compensation plans/arrangements approved by securityholders	1,699,886 (1)	$ 12.13 (1)	1,641,531 (2)
Equity compensation plans/arrangements not approved by securityholders	—	—	—

(1) Pertains to stock options outstanding under the *Equity Incentive Plan*. Does not include 346,384 RSUs issued under the *Equity Incentive Plan*. Also does not include purchase rights accruing under the *Stock Buying Plan* as the number of shares issuable and the exercise price under that Plan will not be determinable until the end of the current offering period, April 30, 2014.

(2) Consists of shares of common stock reserved for future issuance under the *Equity Incentive Plan*. Does not include 422,100 shares of common stock currently reserved for issuance under the *Stock Buying Plan*.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table indicates, as to (i) each person who is known to own beneficially 5% or more of the outstanding shares of our common stock; (ii) each Director; (iii) each NEO; and (iv) all Directors and NEOs as a group, the number of shares and percentage of common stock beneficially owned as of March 17, 2014. As of the close of business on March 17, 2014, there were outstanding 24,364,884 shares of common stock of West Marine.

	Common Stock Beneficially Owned as of March 17, 2014(1)		
Beneficial Owner	**Number of Shares**		**Percent**
Randolph K. Repass	6,502,776	(2)	26.7%
Matthew L. Hyde	63,800	(3)	*
Thomas R. Moran	110,505	(4)	*
Ron Japinga	115,521	(4)	*
Barry Kelley	75,857	(4)	*
Dennis F. Madsen	18,575	(5)	*
James F. Nordstrom, Jr.	4,053	(5)	*
Robert D. Olsen	4,053	(5)	*
Barbara L. Rambo	22,040	(5)	*
Alice M. Richter	22,241	(5)	*
Christiana Shi	11,960	(5)	*
All Directors and current executive officers as a group (11 persons)	6,951,381	(6)	28.5%
Bruce Edwards	31,332		*
Franklin Resources, Inc.	3,280,561	(7)	13.5%
Dimensional Fund Advisors LP	1,951,528	(8)	8.0%
Royce & Associates, LLC	1,507,296	(9)	6.2%
Select Equity Group, L.P.	1,258,993	(10)	5.2%
Paradigm Capital Management, Inc.	1,158,454	(11)	4.8%

* Less than one percent.

(1) Except as otherwise noted, each person has sole voting and investment power over the common stock shown as beneficially owned, subject to community property laws where applicable.

(2) The address of Mr. Repass is 500 Westridge Drive, Watsonville, California 95076-4100. Includes 234,600 shares held by Mr. Repass' spouse, 274,915 shares held in trust for Mr. Repass' minor son, 161,700 shares held in trust for Mr. Repass' adult son, 40,400 shares held in trust for the benefit of Mr. Repass' grandchildren and 358,201 shares held by the Repass-Rodgers Family Foundation Inc. Mr. Repass has sole voting and dispositive power with respect to 5,432,960 shares and is deemed to have shared voting and dispositive power with respect to 234,600 shares. Mr. Repass disclaims beneficial ownership of all shares attributed to his spouse and all shares held by the Repass-Rodgers Family Foundation.

(3) Includes stock options exercisable within 60 days to purchase 41,800 shares. Includes 22,000 restricted stock units that vest in three installments of 33%, 33% and 34% on each anniversary of the grant date.

(4) Includes stock options exercisable within 60 days to purchase shares as follows: Thomas R. Moran, 64,020 shares; Ronald Japinga, 64,020 shares; and Barry Kelley, 48,999 shares. Includes RSUs that vest in 60 days as follows: Thomas R. Moran, 15,505 shares; Ronald Japinga, 14,580 shares; and Barry Kelley, 10,059 shares.

(5) Includes stock options exercisable within 60 days to purchase shares as follows: Dennis F. Madsen, 6,691 shares; and Barbara L. Rambo, 3,000 shares. Includes RSUs that vest on May 15, 2014 as follows: Dennis F. Madsen, 4,053 shares; James F. Nordstrom, Jr., 4,053 shares; Robert D. Olsen, 4,053 shares; Barbara L. Rambo, 4,053 shares; Alice M. Richter, 4,053 shares; and Christiana Shi, 4,053 shares. On March 24, 2014, Ms. Rambo exercised 3,000 stock options and retained 825 shares of our common stock.

(6) Includes stock options exercisable within 60 days to purchase 228,530 shares and RSUs that vest in 60 days equaling 86,462 shares.

(7) The information contained in the table and this footnote with respect to Franklin Resources, Inc. is based solely on a statement on Schedule 13G/A filed February 20, 2014 reporting beneficial ownership as of December 31, 2013 by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr., Franklin Templeton Investments Corp. and Franklin Advisory Services, LLC to the effect that (a) each (directly or indirectly) has dispositive and voting power over these shares to the extent disclosed therein and (b) these shares are held by investment companies or other managed accounts which are advised by subsidiaries of Franklin Resources, Inc. pursuant to investment management contracts which grant to such subsidiaries all investment and voting power over these shares. The business address for Franklin Resources, Inc., Charles B. Johnson and Rupert H. Johnson, Jr. is One Franklin Parkway, San Mateo, California 94403-1906. The business address for Franklin Templeton Investments Corp. is 200 King Street West, Suite 1500, Toronto, Ontario, Canada M5H 3T4 and the business address for Franklin Advisory Services, LLC is One Parker Plaza, Ninth Floor, Fort Lee, New Jersey 07024-2938.

(8) The information contained in the table and this footnote with respect to Dimensional Fund Advisors LP is based solely on a statement on Schedule 13G/A filed February 10, 2014 reporting beneficial ownership as of December 31, 2013 by Dimensional Fund Advisors LP to the effect that (a) it has sole dispositive power over all of these shares and (b) it has sole voting power over 1,886,967 shares. The business address for Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(9) The information contained in the table and this footnote with respect to Royce & Associates, LLC is based solely on a statement on Schedule 13G/A filed January 17, 2014 reporting beneficial ownership as of December 31, 2013 by Royce & Associates, LLC to the effect that it has sole dispositive and voting power over all of these shares. The business address for Royce & Associates, LLC is 745 Fifth Avenue, New York, New York 10151.

(10) The information contained in the table and this footnote with respect to George S. Loening is based solely on a statement on Schedule 13G filed February 14, 2014 reporting beneficial ownership as of December 31, 2013 by Mr. Loening to the effect that Select Equity Group L.P. has dispositive and voting power over 1,258,993 shares. Mr. Loening is the controlling shareholder of Select Equity Group. The business address for Select Equity Group and Mr. Loening is 380 Lafayette Street, 6th Floor, New York, New York, 10003.

(11) The information contained in the table and this footnote with respect to Paradigm Capital Management, Inc. is based solely on a statement on Schedule 13G filed February 14, 2014 reporting beneficial ownership as of December 31, 2013 by Paradigm Capital Management, Inc. to the effect that it has sole dispositive and voting power over all of these shares. The business address for Paradigm Capital Management, Inc. is Nine Elk Street, Albany, New York 12207.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires executive officers and Directors, and persons who own more than 10% of our common stock, to file reports of ownership and changes in ownership of West Marine common stock with the SEC. Executive officers, Directors and greater than 10% stockholders are required by SEC regulation to furnish West Marine with copies of all Section 16(a) forms they file.

Based solely on a review of copies of such reports received by West Marine, or written representations from certain reporting persons that no Forms 5 were required for those persons, we believe that, during the period from December 30, 2012 to December 28, 2013, our NEO, Directors and greater than 10% stockholders filed on a timely basis all reports due under Section 16(a).

OTHER MATTERS

As of the date of this proxy statement, management does not know of any other matters to be considered at the Annual Meeting. If any other matters do properly come before the meeting, the persons named in the accompanying proxy intend to vote thereon in accordance with their best judgment, and the discretionary authority to do so is included in the proxy.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement includes “forward-looking statements,” including statements concerning earnings expectations and statements that are predictive or express expectations that depend on future events or conditions that involve risks and uncertainties. Actual results may differ materially from the preliminary expectations expressed or implied in these forward-looking statements due to various risks, uncertainties or other factors, including those set forth in West Marine’s annual report on Form 10-K for the fiscal year ended December 28, 2013. Except as required by applicable law, we assume no responsibility to update any forward-looking statements as a result of new information, future events or otherwise.

By Order of the Board of Directors

Pamela J. Fields

Pamela J. Fields, Esq.
Secretary

Watsonville, California

April 4, 2014

This Page Intentionally Left Blank

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 28, 2013

OR

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

Commission File Number 0-22512

WEST MARINE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**77-0355502**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
500 Westridge Drive, Watsonville, CA	**95076-4100**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (831) 728-2700

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act). Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

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

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

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 June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $267.9 million based on the closing sale price of $11.00, as reported on the NASDAQ Global Market on such date.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 3, 2014
Common stock, $.001 par value per share	24,364,509 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2014	Part II, Item 5 and Part III

WEST MARINE, INC.
2013 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

PRELIMINARY NOTE

This report is for the year ended December 28, 2013. This report modifies and supersedes documents filed prior to this report. The Securities and Exchange Commission (the “SEC”) allows us to “incorporate by reference” information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this report. In addition, information that we file with the SEC in the future automatically will update and supersede information contained in this report.

We undertake no obligation (other than that required by law) to publicly update or revise any disclosures contained in this report, whether as a result of new information, future events or otherwise. Website references throughout this report are for information only, and the content of these websites is not incorporated by reference and should not otherwise be considered a part of this report.

All references to 2013, 2012 and 2011 in this report refer to our fiscal years ended on December 28, 2013, December 29, 2012 and December 31, 2011, respectively. Fiscal years 2013, 2012 and 2011 were fifty-two week years.

PART I

ITEM 1—BUSINESS

General

West Marine was founded in 1968 by a sailor and has grown to become the largest omni-channel specialty retailer exclusively offering boating supplies, gear, apparel, footwear and other waterlife-related products to anyone who enjoys recreational time on or around the water. With 287 stores located in 38 states, Puerto Rico and Canada as of the end of 2013 and an eCommerce website reaching domestic and international customers, West Marine is recognized as the dominant waterlife outfitter for cruisers, sailors, anglers and paddle sports enthusiasts. We strive to provide exceptional customer experiences and offer the convenience of omni-channel shopping.

West Marine, Inc. was incorporated in Delaware in September 1993 as the holding company for West Marine Products, Inc., which was incorporated in California in 1976. Unless the context otherwise requires, “West Marine,” “we,” “us,” and “our” refer to West Marine, Inc. and its subsidiaries. Our principal executive offices are located at 500 Westridge Drive, Watsonville, California 95076-4100, and our telephone number is (831) 728-2700. Our two distribution centers are located in Rock Hill, South Carolina and Hollister, California.

Business Strategy

We are a leading specialty retailer serving people who enjoy recreating on or around the water. We offer a broad selection of core boating and water recreation products, primarily serving the needs of boat owners. We do this through physical stores and an eCommerce web site, making us a leading omni-channel specialty retailer in our sector. Our strategies are designed to reposition West Marine into a broader waterlife outfitter, while maintaining our position as the leading boat parts specialty retailer. In support of our omni-channel business strategy, we will continue our current focus on growing revenues from core boating products and accelerating our investment in our three growth strategies, with a goal of executing our "15/50 plan."

eCommerce - The first number in the 15/50 plan refers to our objective to grow our eCommerce business to 15% of total sales. Over the past couple of years, we have been investing in our retail eCommerce website. Our investments have resulted in a 25% increase in domestic eCommerce revenues this year. We are pleased with this increase, and we have been working behind the scenes on a new website platform for westmarine.com that launched during the first quarter of 2014. This upgraded platform gives us the capability to offer additional information about the products and to offer a wider breadth of product offerings, including our merchandise expansion categories. We believe these enhancements will continue to drive growth and strengthen our omni-channel position. Also, in an effort to accelerate our eCommerce business, we have invested in people and systems to expedite the launch of a new portsupply.com website in 2014. This website serves the professional (or wholesale) customer, and similar to other business-to-business websites, we believe portsupply.com should help this channel grow more rapidly, but with smaller overall potential than our retail consumer site.

Store Optimization - The second number in the 15/50 plan reflects our goal that sales derived from consolidated or revitalized stores will grow to 50% of total sales. For the past five years, our store optimization program has consisted of store consolidations, by which we have been evolving to having fewer, larger stores that offer a better shopping experience in our major markets. These stores drive sales and profitability by allowing us to offer an improved shopping experience with greatly expanded product assortments in better store locations. The larger scale of these locations, typically greater than 13,000 square feet, also allows us to staff the stores with sales associates having more specialized product knowledge. In 2014, we will continue to consolidate markets and we will be expanding this strategy to include revitalizing our existing stores that range between 8,000 square feet and 13,000 square feet. A store revitalization consists of some light remodeling, space optimization, product assortment changes, new product category introduction, and associate training. These changes allow us to offer merchandise expansion products, appeal to a broader base of customers, and provide the space and flexibility to appropriately transition products as the seasons change. In connection with the store consolidation component of our store optimization strategy during 2013, we opened 11 stores and expanded the selling square footage of one store while closing other stores in those same markets. We ended the year with an aggregate of 2.69 million total square feet of space for all stores, up slightly from 2.67 million square feet at the end of fiscal 2012. We also tested revitalization in seven stores during 2013 and expect to revitalize 20 more locations during 2014, increasing the pace as we gain experience with this aspect of our strategy.

Merchandise Expansion - Our eCommerce and store optimization strategies are supported by our growth objectives in our merchandise expansion product categories. This strategy welcomes a broader base of customers who are passionate about recreating on and around the water by providing these customers with a broader selection of footwear, apparel, clothing accessories, fishing products, waterlife accessories, and paddlesports equipment. We are currently offering this expanded assortment in our larger-format stores and on our eCommerce website. During 2013, sales of this group of products increased by 6.1% and comprised approximately 16.5% of our revenues, compared to approximately 15.3% last year. In an effort to accelerate our merchandise expansion strategy, we are further increasing the balance of products in categories such as footwear, clothing, and paddlesports in key locations. Additionally, we are testing new product categories to find merchandise with which we can continue to better serve our customers and further position West Marine as the foremost authority for all waterlife needs and wants.

Merchandising

Our merchandise mix over the last three years is reflected in the table below:

	2013	2012	2011
Core boating products [1]	83.5%	84.7%	86.1%
Merchandise expansion products [2]	16.5%	15.3%	13.9%
Total	100.0%	100.0%	100.0%

(1) Core boating products are comprised of maintenance, electronics, sailboat hardware, anchors/docking/moorings, engine systems, safety, electrical, plumbing, boats/outboards, ventilation, deck hardware/fasteners, navigation, trailering, seating/ boat covers and barbecues/appliances.

(2) Merchandise expansion products are comprised of apparel, footwear, clothing accessories, fishing, watersports, paddlesports, coolers, bikes and cabin/galley.

West Marine is committed to offering a broad assortment of merchandise that provides our customers what they want, when they want it. As we grow revenues through our merchandise expansion strategy, we expect that core boating products will continue to grow, but at a slower pace than merchandise expansion products. Our merchandising department is responsible for vendor and product selections and works closely with our planning and replenishment department, which is responsible for purchasing and managing inventory levels in our distribution centers and our stores. We also offer our customers the ability to special order products that we do not stock in our stores or at our distribution centers.

We purchased merchandise from more than 800 vendors during 2013 and realized savings through quantity purchases and direct shipments. In 2013, no single vendor accounted for more than 9% of our merchandise purchases, and our 20 largest vendors accounted for approximately 42% of our merchandise purchases. Generally, we purchase merchandise from our vendors on an order-by-order basis.

We continued to offer private label merchandise in 2013, which typically have higher gross margins than comparable branded products. Private label products, which we sell under the “West Marine,” “Black Tip,” “Third Reef,” “Pure Oceans,” "Lifesling," and “Seafit” brand names, usually are manufactured in Asia, the United States and Europe. We have a limited number of long-term contracts with our manufacturing sources, and we compete with other companies for production facilities and import quota capacity.

Omni-channel Shopping Experience

Our strategy is to offer a seamless omni-channel shopping experience to retail and professional customers through our stores, eCommerce websites, and our catalog and call center operations. Although we sell through all of these channels, our primary sales channel remains our stores.

Stores

The following table shows the number of stores opened and closed in each of our last three fiscal years:

	Fiscal 2013				Fiscal 2012				Fiscal 2011			
	Flagship	Large-Format	Standard	Total	Flagship	Large-Format	Standard	Total	Flagship	Large-Format	Standard	Total
Beginning stores	13	29	258	300	9	23	287	319	5	25	297	327
New stores	3	8	—	11	3	6	1	10	4	1	1	6
Closed stores	—	—	(24)	(24)	—	—	(29)	(29)	(1)	(2)	(11)	(14)
Expansion	—	1	(1)	—	1	—	(1)	—	1	(1)	—	—
Ending stores	16	38	233	287	13	29	258	300	9	23	287	319

(1) Flagship stores range in size from more than 20,000 sq. ft. to 50,000 sq. ft.

(2) Large-format stores range in size from 13,000 sq. ft. up to 19,000 sq. ft.

(3) Standard stores range in size from 6,000 sq. ft. to approximately 12,000 sq. ft. Included in the standard stores in the table above are 12 Express stores that range from 2,500 to 3,000 sq. ft. and carry mainly hardware and other supplies needed for day-to-day boat maintenance and repairs.

At the end of 2013, we had 287 stores, compared to 300 company-operated stores and five franchised stores in Turkey at the end of 2012. While store count declined by 4.3% year-over-year, selling square footage increased by 0.8%.

Our flagship and large-format stores offer an expansive array of merchandise, an enhanced customer experience, a more appealing selling environment, and displays designed to help customers make informed product selections. These stores not only offer an extensive assortment of core boating hardware and supplies, but also present a broader selection of waterlife products, such as paddlesports, clothing, footwear and accessories. Because these stores are larger, they provide more flexibility to accommodate seasonal product changes and the ability to welcome a broader group of customers who enjoy recreating on or around the water.

Our standard-sized stores focus on carrying core boating products and support our omni-channel strategy by providing our customers with access to merchandise expansion and waterlife products through other shopping channels.

In 2014, we expect to open three to four flagship stores and approximately seven large-format stores. These store openings will replace approximately 13 existing stores.

Our extensive store network gives us an advantage in serving all of our customers, including professional customers seeking convenience and a larger assortment of products than those carried by typical distributors. We believe that with continued professional customer focus, expanded distribution capabilities, with an emphasis on treating our larger stores in certain markets as hubs or regional distribution centers, and broad product selection and availability, we will continue to be recognized as the preferred wholesale distributor in the industry. Our professional customers include businesses involved in boat sales, boat building, boat commissioning and repair, yacht chartering, marina operations and other boating-related activities. In addition, we sell to government and industrial customers who use our products for boating and non-boating purposes.

Direct-to-consumer

Our eCommerce websites at westmarine.com and portsupply.com, direct mail catalogs, and call center comprise the direct-to-consumer sales channel. This channel complements our stores by building brand awareness, acting as an additional marketing vehicle, and providing our customers with the option of shopping from around the globe, 24 hours a day. We offer a return-to-store option for direct-to-consumer orders and an in-store delivery service for on-line orders, which our customers are increasingly embracing.

Our retail eCommerce website provides our customers with access to a broad selection of approximately 85,000 products, unique product advisor tips and technical information, over 16,000 product videos and customer-submitted product reviews. We also believe our website is a cost-effective means of testing market acceptance of new products and concepts.

The retail eCommerce website, direct mail catalogs, and call center also provide customers with access to knowledgeable technical advisors who assist our customers in understanding the various uses and applications of the products we sell. We operate a call center from which our associates take customer calls from their homes or from our support center in Watsonville, California. Our call center supports sales generated through our eCommerce website, catalogs and stores, and provides enhanced customer service.

Through our loyalty program, West Advantage, we have built an extensive and proprietary customer list which allows us to provide compelling and relevant offers to our customers. In addition, we acquire potential customer names from a variety of sources. Our customer list is continually updated to include customer address changes and new customer prospects, and to eliminate non-responders and requests from customers to opt out of our marketing programs.

Customer Service

Since our founding, offering exceptional customer service has been the cornerstone at West Marine. Our focus on delivering an outstanding customer experience is accomplished through advanced product and technical training for our associates and then empowering them to resolve transactions or customer issues on their own. Through listening to our customers, we continually refine our business processes to meet their needs.

Marketing

Our customers generally have a passion for water recreation. Our marketing objective is to deliver intelligent, consistent, actionable, relevant content and customer experiences across all touch points. Our approach includes a seamless omni-channel customer experience, personalization and retention strategies through a fully-integrated marketing program that includes direct mail, email, traditional and digital advertising, such as paid search and digital display ads, digital radio, social media and mobile technology. We position the West Marine brand to stand for extensive product selection and value, friendly and knowledgeable service and shopping convenience, whether on-line or in a store. The goal of this work is to expand our customer base and drive business growth, sales and profit.

Our loyalty program, West Advantage, includes both free and paid memberships that allow our customers to earn points on qualifying purchases for future discounts, exclusive offers and invitations to unique shopping events designed to reward our customers for their support and loyalty.

We are committed to conserving marine resources, reducing our impact on the environment and promoting boating participation. West Marine is dedicated to being a leader in sustainability within our industry, through our "Blue Future®" initiative. We support BlueFuture in our daily operations by reducing our carbon footprint year after year by offering our customers environmentally preferable products and by focusing our community and charitable efforts on youth boating, preserving the marine environment and maintaining healthy fish stocks. These important initiatives are designed to encourage participation in boating and related water activities, promote environmental responsibility and improve West Marine's brand perception and recognition.

Logistics and Distribution

We operate two full-service, multi-channel distribution centers: a 472,000 square foot facility in Rock Hill, South Carolina and a 240,000 square foot facility in Hollister, California. Generally, vendors ship products to our distribution centers where merchandise is received and prepared for shipment to stores or shipped directly to customers. We also fulfill orders for our professional customers with the goal of same day or next day van delivery through our larger stores in certain markets, which locations serve as hubs or regional distribution centers. Some vendors ship products directly to our stores. We use various third-party domestic and international transportation methods, such as ocean, air and ground, including Company-owned vehicles. Our distribution centers utilize advanced material handling equipment and voice-picking technologies, as well as radio frequency systems, to enable real-time management of inventory.

Competition

The market for marine supplies is highly competitive. Our stores compete with other specialty boating supply stores, and a variety of local and regional specialty stores, sporting goods stores and mass merchants. Many of these competitors have stores in markets where we now operate. Also, we have a number of competitors engaged in the catalog, Internet and wholesale distribution of marine products. The principal factors of competition in our marketplace are selection, quality, availability, price, customer service, convenience and access to a wide variety of merchandise.

Trademarks and Service Marks

We own the trademarks and service marks "West Marine®" and "Port Supply®," among others. These marks and a number of others are registered with the U.S. Patent and Trademark Office and in certain foreign countries. Each federal registration is renewable indefinitely if the mark is still in use at the time of renewal.

Associates

As of February 28, 2014, we had 3,783 associates, of whom 1,813 were full-time and 1,970 were part-time or temporary. A significant number of temporary associates are hired during the summer peak selling season. For example, West Marine employed 4,721 associates on June 29, 2013.

International Sales

We promote and sell our marine products internationally primarily through our wholesale and direct-to-consumer sales channels. We also operate ten stores in Canada. In addition, in 2013, we had five franchised stores in Turkey; however, our franchise agreement terminated as of January 14, 2014, and these stores are transitioning to professional customers and will operate pursuant to a trademark license agreement. For each of 2013, 2012 and 2011, revenues from outside of the United States represented less than 5% of our total net revenues.

Available Information

West Marine's Internet address is *westmarine.com*. We make available, free of charge through the "Investor Relations" portion of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Forms 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, including the exhibits thereto, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. Interested persons may also access copies of these reports through the SEC's website, *sec.gov*. We will furnish to our stockholders any exhibit to this annual report upon the written request of such stockholder and the payment of a specified fee, which is limited to our reasonable expenses.

We have adopted a code of ethics that we call "Living our Values - West Marine Code of Ethics" for our associates, contractors, officers, and Board of Directors, which includes a ethical standards for our senior financial officers (including our principal executive officer, principal financial officer and principal accounting officer). A copy of this code of ethics is available on our website at *westmarine.com*, or a printed copy can be obtained by writing to the Secretary, West Marine, Inc., 500 Westridge Drive, Watsonville, California 95076. Any amendments to this code of ethics, as well as any waivers that are required to be disclosed under the rules of the SEC or the NASDAQ Stock Market, will be posted on our website at *westmarine.com*.

ITEM 1A—RISK FACTORS

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks of which we are not yet aware, or that we currently think are immaterial, may also impair our business operations or financial results. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could suffer and the trading price of our common stock could decline.

If we are not able to respond to trends emerging in the boating industry and attract a more diverse customer base, our revenues and operating results could materially suffer.

We have identified mega-trends impacting the boating industry including:

- Recent sales growth in mid-to-larger size boats used by our core customers is well below pre-recession levels.
- The average age of our core customer base ranges from 50 to 54 years old for power boaters and from 60 to 64 years old for sailors.
- We believe there is increasing competition for our customers' time, and we do not expect a meaningful change in this longer-term trend.

If we are not able to implement our growth strategies which we believe will enable us to attract a more diverse customer base our revenues and operating results could materially suffer.

We are significantly increasing our investments in a number of strategies designed to build our long-term strength. If one or more of these strategies is unsuccessful, our profitability could be adversely affected.

Over the past few years, we have launched a number of strategies designed to increase sales and lower costs. These strategies include:

- investing in our eCommerce website;
- expanding our merchandise assortment;
- investing in store optimization in our major markets;
- revitalizing existing stores with space optimization and new product category introductions in other markets;
- expanding our wholesale business; and,
- improving the retail experience for our retail and professional customers.

To support these growth strategies, we are significantly increasing our investments in store development, information technology infrastructure, adding key positions to our eCommerce and information technology departments, and making investments in marketing to attract a more diverse customer base. Each of these initiatives carries a certain level of risk, primarily related to increased expenses or reduced revenues, which, when combined, could be material. If we fail to successfully execute one or more of these strategies, our profitability could be adversely affected.

Our business is highly seasonal and weather dependent and our results of operations could be adversely affected if unseasonably cold weather, prolonged winter conditions, sustained high winds, natural disasters, such as hurricanes or extraordinary amounts of rainfall, or man-made disasters occur, particularly during the peak boating season in our second and third fiscal quarters.

The majority of our revenues and profits occur between the months of April and September, which represent the peak boating months in most of our markets. Our results would be materially and adversely affected if our net revenues were to fall below expected seasonal levels during this period. Our store optimization and merchandise expansion strategies include a focus on providing the space and flexibility to appropriately transition products as the seasons change. If we are not able to successfully implement these strategies, we will continue to experience net losses in the first and fourth quarters of each fiscal year.

Our business is also significantly affected by weather patterns. Unseasonably cool weather, prolonged winter conditions, sustained high winds, extraordinary amounts of rainfall or natural or man-made disasters may decrease boating use in the peak season, resulting in lower maintenance needs and boat usage and, therefore, decreased revenues.

Economic conditions in the U.S. and key international markets or other conditions leading to a decline in consumer discretionary spending may materially adversely impact our operating results.

We sell products and services that consumers tend to view as discretionary items rather than necessities. As a result, our results of operations tend to be more sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Other factors, including consumer confidence, employment levels, interest rates, tax rates, consumer debt levels, consumers' ability to obtain credit, as well as fuel and energy costs could reduce consumer spending or change consumer purchasing habits. In the recent past, many of these factors adversely affected consumer spending and, consequently, our business and results of operations. A slowdown in the U.S. or global economy, continued economic and financial instability in Europe or an uncertain economic outlook could materially adversely affect consumer spending habits and our operating results in the future.

The domestic and international political climate also affects consumer confidence. The threat or outbreak of domestic or international terrorism, civil unrest or other hostilities could lead to a decrease in consumer spending. Similarly, an overly anti-business climate or sentiment could potentially lead consumers to decrease or shift their spending habits. Any of these events and factors could cause a decrease in revenue or an increase in inventory markdowns or certain operating expenses, which could materially adversely affect our results of operations.

An inability to find suitable new and expanded store sites or delays in new store openings could materially affect our store optimization strategy and, consequently, our financial performance.

In order to meet our growth objectives, we will need to secure an adequate number of suitable new or expanded store sites, typically near marinas or other locations readily accessible by boaters. We require that all proposed store sites satisfy our criteria regarding cost and location. In addition, we may experience increased competition for store sites and, at some point, exhaust available coastal locations for new stores. We cannot assure that we will be able to find a sufficient number of suitable new sites for any planned expansion in any future period.

Our expected financial performance is based on our new, remodeled, or expanded stores opening on expected dates and on budget. It is possible that events such as construction delays caused by permitting or licensing issues, material shortages, labor issues, weather delays or other acts of God, discovery of contaminants or accidents could delay planned new store openings beyond their expected dates, give rise to cost overruns, or force us to abandon planned openings altogether. Any failure on our part to recognize or respond to these issues may adversely affect our revenue growth, which, in turn, may adversely affect our operating results.

We experience fluctuations in our comparable store sales.

Our comparable store sales have fluctuated significantly in the past on an annual and quarterly basis, and we expect that they will continue to fluctuate in the future. A variety of factors affect comparable store sales including boat usage, boating participation, current economic conditions, competition, the timing and release of new merchandise and promotional events, changes in our merchandise mix, the success of marketing programs and weather conditions. These factors and others may cause our comparable store sales, customer traffic, and average order values to differ materially from prior periods and from expectations. Failure to meet the expectations of investors in one or more future periods could reduce the market price of our common stock.

Our eCommerce operations subject us to numerous risks that could have an adverse effect on our operating results.

We are pursuing a heightened focus on technology to enhance our website and eCommerce business by broadening the selection of our on-line merchandise offering, improving product search performance, and increasing the overall speed of our website. Although revenues generated by eCommerce constitute a small, but increasing portion of our overall revenues, our eCommerce operations subject us to certain risks that could have an adverse effect on our operating results, including: diversion of traffic and sales from our stores; liability for on-line content; and risks related to the computer systems that operate our website and related support systems, such as computer viruses, electronic break-ins and similar disruptions. Changing regulations and laws governing the Internet and eCommerce transactions (including taxation, user privacy, data protection, pricing and electronic communications) could impede the growth of our eCommerce business and increase our cost of doing business. In addition, other risks beyond our control, such as entry of our vendors in the eCommerce business in competition with us and on-line security breaches could have an adverse effect on our results of operations.

If we are not able to anticipate and respond to changing consumer preferences in a timely manner, our merchandise expansion strategy and our operating results could materially suffer.

Our merchandise expansion strategy focuses on growing sales in the categories that are not tied to boat ownership, such as apparel, footwear, clothing accessories, fishing, cabin/galley and paddlesports equipment. These categories differ from our core merchandise categories, which are more directly related to owning and caring for a boat, the supply and demand of which typically is based on the frequency and duration of boat usage. This merchandise expansion strategy depends, in large part, on our ability to successfully attract a more diverse waterlife consumer and to introduce new products to all of our customers, as well as the level of consumer acceptance. Consumers continue to have a wide variety of choices in terms of how and where they purchase these products. Failure to accurately predict and adapt to constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions, or to effectively address consumer concerns, could have a material adverse effect on our revenue, results of operations and reputation with our customers.

Intense competition in the boating supplies, apparel, and outdoor recreation markets could reduce our revenue and profitability.

The retail market for recreational boating supplies and apparel is highly competitive. Our stores compete with other specialty marine supply stores, sporting goods stores and mass merchants. Our eCommerce and call center operations compete with other eCommerce and catalog retailers. We also have a number of competitors in the wholesale distribution of marine products. In addition, a key competitive factor in the marine supplies market is price. Increased online shopping and the availability and use of smart-phones or other mobile devices allow customers to compare prices more quickly than in the past. Online retail shopping is rapidly evolving, and we expect competition in the eCommerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. Competitive pricing pressures have adversely affected our gross margins, and such pressures are expected to continue. In addition, if our competitors increase their spending on advertising and promotions relative to our spending, or if our advertising and promotions become less effective than those of our competitors, we could experience a material adverse effect on our results of operations. If we are unable to remain competitive in the key areas of customer service, the shopping experience across all channels, quality of products, depth of selection or store environment and location, we may lose market share to our competitors and our sales and profitability could suffer.

If any of our manufacturers, key vendors or third-party service providers fail to supply us with merchandise or services, we may not be able to meet the demands of our customers or our business needs and our sales could decline.

We depend on merchandise purchased from our vendors, services provided by third parties, and merchandise sourced from third-party manufacturers to obtain products and services for our sales channels. Generally, we deal with our merchandise suppliers on an order-by-order basis and have limited long-term purchase contracts or other contractual assurances of continued supply or pricing. Accordingly, our vendors and manufacturers could discontinue selling products to us at any time. The loss of any key vendor or manufacturer for any reason could limit our ability to offer products that our customers want to purchase. In addition, we believe many of our vendors obtain their products from China, Taiwan, Korea, Mexico and other countries, and we source products from third-party manufacturers in these countries. A vendor could discontinue selling products manufactured in foreign countries to us at any time for reasons that may or may not be within our or the vendor’s control, including foreign government regulations, political unrest, war, disruption or delays in shipments, changes in local economic conditions, quotas, quality control, increased costs for raw materials, and trade issues. Also, there is a risk that certain of our vendors or third party service providers may experience financial difficulty resulting in inability to provide service or manufacture or deliver products or services to us in a timely manner. Additionally, changes in commercial practices of our key vendors or manufacturers, such as changes in vendor support and incentives, changes in credit or payment terms or inability or failure of our service providers to provide required services, could negatively impact our operating results. Our operating results also could suffer if we are unable to promptly replace a vendor, manufacturer or service provider who is unwilling or unable to satisfy our requirements with a vendor, manufacturer or service provider providing equally appealing products or services.

Our results of operations could materially deteriorate if we fail to attract, develop and retain qualified associates, or if we lose key management.

Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including general managers, assistant managers, eCommerce associates and store associates, who understand retail, appreciate boating, the boating lifestyle, and the varied product lines we carry, and are able to communicate knowledgeably with our customers. Qualified individuals of the requisite caliber and in the numbers needed to fill these positions may be in short supply in some areas. Historically, turnover rates in the retail industry are high in comparison to other industries. In particular, the relatively rural location of our support center in Watsonville, California, has on occasion limited our ability to attract and recruit candidates with required background and experience in the retail, information technology and eCommerce fields.

Additionally, competition for qualified associates could require us to pay higher wages to attract a sufficient number of associates. An inability to recruit and retain a sufficient number of qualified individuals in the future may delay the planned openings of new stores. Any such delays, any material increases in associate turnover rates at existing stores or any increases in labor costs could have a material adverse effect on our business, financial condition or operating results.

Also, if we are unable to hire and retain associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture and knowledge of our merchandise, our business could be materially adversely affected. Although none of our associates currently are covered by collective bargaining agreements, we cannot guarantee that our associates will not elect to be represented by labor unions in the future, which could increase our labor costs.

Our performance also depends largely on the efforts and ability of our senior management. We do not maintain any key-man life insurance for our senior management, including Matthew Hyde, our President and Chief Executive Officer. If we do not effectively implement our strategic and business planning processes to attract, retain, train and develop future leaders, our business may suffer. We rely on the experience of our senior management, who have specific knowledge relating to us and our industry that is difficult to replace. If unexpected leadership turnover occurs, the loss of the services of these individuals could negatively impact our ability to be able to successfully manage our business or achieve our growth objectives.

We must successfully order and manage our inventory to reflect customer demand in a volatile market and anticipate changing consumer preferences and buying trends or our revenues and profitability will be adversely affected.

Our success depends upon our ability to successfully manage our inventory and to anticipate and respond to merchandise trends and customer demands in a timely manner. The retail consumer industry, by its nature, is volatile and sensitive to numerous factors, including consumer preferences, competition, market conditions and general economic conditions. None of these factors are within our control. We cannot predict consumer preferences with certainty, and consumer preferences often change over time. We usually must order merchandise well in advance of the selling season. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing product trends, increases in customer demand or changes in prices. If we misjudge either the market for our merchandise or our customers' purchasing habits, our revenues may decline significantly and we may not have sufficient quantities of merchandise to satisfy customer demand or we may be required to mark down excess inventory, either of which would result in lower profit margins.

A natural disaster or other disruption at our support center or either of our distribution centers could cause us to lose merchandise or inhibit our ability to process orders and, therefore, make us unable to effectively deliver to our customers and retail stores.

We rely on the continuous operation of our support center in Watsonville, California, and our distribution centers in Hollister, California, and Rock Hill, South Carolina. Any natural disaster or other serious disruption to these operations due to fire, flood, earthquake, hurricane, terrorism or any other unforeseen circumstance could materially impair our ability to do business and adversely affect our financial position and future operating results.

Any failure to maintain the security of the information relating to our business, customers, employees and vendors, whether as a result of cybersecurity attacks or otherwise, could damage our reputation with customers, employees and vendors, could cause us to incur substantial additional costs, including fines and penalties, and to become subject to litigation, and could adversely affect our operating results.

We receive certain personal information about our customers, associates and vendors. We also rely on business partners to provide services to us that may include the sharing of important business information or data about our customers, associates and vendors. In addition, our point of sale at stores and online operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments. While we maintain security measures to protect and to prevent unauthorized access to such information, it is possible that unauthorized parties (through cyberattacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means) might compromise our security measures or those of our service providers and obtain the personal information of customers, associates and vendors that we hold or other confidential Company data. Such an occurrence could adversely affect our reputation with our customers, associates, and vendors, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of fines and penalties. Moreover, a security breach could require that we expend significant additional resources to upgrade further the security measures that we employ to guard such important personal information against cyberattacks and other attempts to access such information and could result in a disruption of our operations.

In addition, states and the federal government are increasingly enacting laws and regulations to protect consumers against identity theft. These laws will likely increase the costs of doing business and, if we fail to comply with these laws and regulations or to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these new laws, we could be subject to potential claims for damages and other remedies, which could harm our business.

If we are unable to implement, maintain and/or upgrade our information systems and software programs or if we are unable to convert to alternate systems in an efficient and timely manner, our operations may be disrupted or become less efficient and our key growth strategies may not be successful.

We depend on information systems for many aspects of our business. We rely on certain software vendors to implement, maintain and periodically upgrade many of these systems so that we can continue to support our business. We could be materially adversely affected if our information systems are disrupted or if we are unable to implement, improve, upgrade, maintain and expand systems, particularly in light of the contemplated continued omni-channel growth strategies.

The success of our key growth strategies designed to increase our sales and improve margin is dependent in varying degrees on the timely delivery and the functionality of information technology systems to support them. Extended delays or cost overruns in securing, developing and otherwise implementing technology solutions to support the strategic business initiatives would delay and possibly even prevent us from realizing the projected benefits of those initiatives.

Our founder and Chairman, Randolph K. Repass, beneficially owns approximately 27% of our common stock. and his interests may differ from that of our other stockholders.

Randolph K. Repass, our founder and the Chairman of our Board of Directors, beneficially owns approximately 27% of our common stock. As a result, Mr. Repass has substantial influence in the election of our directors and, in general, the outcome of any matter submitted to a vote of our stockholders, including mergers, consolidations or the sale of all or substantially all of our assets. Due to his significant ownership position, Mr. Repass may be able, in concert with others, to prevent or to cause a change in control of West Marine. The interests of Mr. Repass in any matter to be voted on or in any transaction with us may be different than those of other stockholders.

We face periodic reviews, audits and investigations by government agencies and independent third parties, and these audits could have adverse findings, which may negatively impact our business.

We are subject to various routine and non-routine reviews, audits and investigations by various federal and state governmental regulators, including consumer protection, environmental, tax and customs agencies. Violation of the laws and regulations governing our operations, or changes in interpretations of those laws, could result in the imposition of civil or criminal penalties, the suspension or revocation of our licenses, or the revision and recoupment of past payments made based on audit findings. In addition, certain third-party service suppliers have rights under their contracts with us to review and audit our use of their licensed products, and an unfavorable audit could result an adverse and possibly material claim for payment. Many proceedings and audits raise complex factual and legal issues and are subject to uncertainties. If we become subject to material fines or other payments due and owing, the cost of defense, or if other sanctions and/or corrective actions are imposed upon us or if we incur significant costs to refute or defend against any such fine, claim or other sanction, our results of operations may be negatively impacted.

Our business and financial results may be adversely affected by global climate change or by legal, regulatory or market responses to such change.

The growing political and scientific sentiment is that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are influencing global weather patterns. Changing weather patterns, along with the increased frequency or duration of extreme weather conditions, especially during our peak boating season, could reduce boat usage, the sale of our products or materially affect our store locations, which are primarily located in coastal areas, through storm damage, reduced traffic, or increased insurance rates. Additionally, concern over climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting greenhouse gas emissions. For example, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers which, if adopted, may adversely affect the boating industry and the suppliers of our retail products. Laws enacted may increase production costs for many of our retail products and, therefore, the prices we pay to stock such products may increase. We may not be able to pass along these increased prices to our customers, which could adversely impact our business and financial results.

Our failure to comply with certain environmental regulations could adversely affect our business.

We sell paints, varnishes and other products that are subject to federal and state environmental laws and regulations concerning, among other things, registration, storage, distribution, transportation, handling and waste management of hazardous materials. Environmental laws and regulations continue to evolve and we may become subject to increasingly stringent environmental standards in the future. Our failure to comply with these regulations could result in injunctions and/or fines and penalties and could have an adverse impact on our business. In addition, we have indemnified certain of our landlords for any hazardous waste which may be found on or about our leased properties. If any such hazardous waste were to be found on property that we occupy, a significant claim giving rise to an indemnity obligation could adversely impact our operating results.

Because we self-insure against certain risks and maintain high deductibles on certain of our insurance policies, our operating results may be adversely affected if we suffer a substantial casualty.

We believe that insurance coverage is prudent for risk management, and we expect that our insurance costs will continue to increase. For certain types or levels of risk, including medical care, we have decided to limit our purchase of relevant insurance, choosing instead to self-insure. With medical insurance, we have individual and aggregate stop loss insurance to protect us from large claims. In other cases, we have elected to retain a higher portion of the risk in the form of higher deductibles. If we suffer a substantial loss that is not covered by commercial insurance, the loss and attendant expenses could have a material adverse effect on our business and operating results.

In 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act were signed into law. These laws changed the way health care is financed and extend medical benefits and coverage. Any taxes, fees, or health care changes required by these acts are expected to, directly or indirectly, in increased health care costs. It remains difficult to predict the cost impact of health care reform and at this time, we cannot quantify the impact, if any, that the legislation may have on us due to the changing regulatory environment around this legislation and due to the government's requirement to issue future unknown regulatory rules. There is no assurance that we will be able to absorb and/or pass through the costs of such legislation in a manner that will not adversely impact our results of operations.

In addition, we insure our workers' compensation losses through a high deductible program. This high per-claim deductible permits us to maintain low premium rates but may result in unexpectedly high costs if actual losses greatly exceed the expected losses in a year, with a corresponding negative effect on our operating results.

We have identified a material weakness in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.

Our consolidated financial statements as of December 28, 2013 fairly present, in all material respects, the financial position, results of operations and cash flow of our company in conformity with generally accepted accounting principles ("GAAP"). However, we have identified a material weakness in internal control over financial reporting related to the application of GAAP for certain cash consideration received from vendors for our "Key Season Program." . For more information, please refer to Item 8, "Management's Report on Internal Control Over Financial Reporting," of this annual report on Form 10-K. If we are unable to successfully remediate this material weakness or if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Failure to comply with the SEC's permanent injunction entered on consent against us could subject us to further SEC enforcement actions, which could adversely affect our business.

As previously disclosed, we reached a consensual resolution of the SEC's civil complaint resulting in a permanent injunction (the "SEC Injunction") entered on August 31, 2009 in the U.S. District Court for the Northern District of California, San Jose Division. In agreeing to the entry of the SEC Injunction, we neither admitted nor denied the allegations in the SEC's complaint. The SEC Injunction, by its terms, permanently restrains and enjoins us from, among other things, (1) filing with the SEC any report under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and rules and regulations adopted under the Exchange Act, that contains any untrue statement of a material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or that omits any information required to be disclosed, (2) failing to make and keep accurate books, records or accounts which, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets, and/or (3) failing to devise and maintain an adequate system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP. Our failure to comply with any of the provisions of the SEC Injunction could adversely affect our business as a result of further SEC investigations, enforcement action, and/or criminal prosecution and penalties, which could be significant.

The price of our common stock may be subject to volatile fluctuations based on fluctuations in our quarterly results, general economic and market conditions and by our ability to meet market expectations.

The market price of our common stock may be subject to significant fluctuations in response to operating results, comparable store sales announcements, announcements by competitors, our ability to meet market expectations and other factors. Variations in the market price of our common stock may also be the result of changes in the trading characteristics that prevail in the market for our common stock, including low trading volumes, trading volume fluctuations and other similar factors. These market fluctuations, as well as general economic conditions, may adversely affect the market price of our common stock. We cannot assure that the market price of our common stock will not fluctuate or decline significantly in the future.

Fluctuations in currency exchange rates may adversely impact our cash flows and earnings.

We operate retail stores located in Canada and, therefore, our cash flows and earnings are exposed to currency exchange rate fluctuations between the U.S. dollar and the Canadian dollar. Our currency exchange gains or losses may adversely impact our cash flows and earnings. Additionally, adverse movements in currency exchange rates could result in a reduction in growth of international direct-to-customer sales, impacting our cash flows and earnings.

We might be involved in claims or disputes related to intellectual property that require us to protect our rights or defend against claims of infringement.

We take precautionary measures to protect our brand, including registering our various trademarks in the United States and internationally and by relying on trade secret, patent, copyright and trademark laws and confidentiality agreements with our associates and other third parties, all of which offer only limited protection. We do not know whether the U.S. Patent & Trademark Office or corresponding foreign agencies will grant registrations based on our pending trademark applications. Even if registrations are granted to us, our trademark rights may be challenged. It is also possible that our competitors or others will adopt trademarks similar to ours, thus impeding our ability to build brand identity and possibly leading to customer confusion. Despite our efforts, the steps we have taken to protect our intellectual proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the United States. Protecting against the unauthorized use of our trademarks and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could be costly and divert management resources, either of which could harm our business.

Furthermore, from time to time we have received communications from other parties asserting the existence of patent rights, copyrights, trademark rights or other intellectual property rights which they believe cover certain products we have developed or purchased for resale, as well as technology and/or services that we use in, or are relevant to, our business. The rate of patent infringement assertions both by operating entities and third party non-practicing entities (sometimes referred to as "patent trolls") is increasing, particularly in the United States and Canada.

We can be adversely affected by litigation, other proceedings or claims either brought by us to protect our rights or brought against us or against our manufacturers, suppliers or service providers alleging infringement of third party proprietary rights. Intellectual property disputes are often expensive to prosecute, defend or conduct, can be time-consuming, divert the time and attention of our technical and management personnel, and result in costly litigation. Additionally, claims against us, if successful, could require us to: pay substantial damages or royalties; comply with an injunction or other court order that could prevent us from offering certain of our products; seek a license for the use of certain intellectual property, which may not be available on commercially reasonable terms or at all; or obtain non-infringing products and/or technology, which could require significant effort and expense and ultimately may not be successful. There can be no assurance regarding the outcome of future legal proceedings, claims or investigations. The instigation of legal proceedings or claims, our inability to favorably resolve or settle such proceedings or claims, or the determination of any adverse findings against us in connection with such proceedings or claims could materially and adversely affect our business, financial condition and results of operations, as well as our business reputation.

We face the risk of exposure to product quality issues, product liability claims, product recalls and adverse publicity.

We contract to manufacture, market and distribute products purchased from third-party suppliers, including products which are marketed and resold under our private label brands. We may inadvertently resell product(s) that contain a defect which may cause property damage or personal injury to our end-user customers, which therefore exposes us to the risk of adverse publicity, product quality issues, product liability claims, and product recalls or other regulatory or enforcement actions, including those initiated by the U.S. Consumer Product Safety Commission, by state regulatory authorities or through private causes of action. We generally seek contractual indemnification and insurance coverage from our suppliers and we carry our own insurance. However, if the insurance coverage is not provided or adequate and/or the contractual indemnification is not provided by or enforceable against the supplier, product liability claims relating to the quality of or to defective and/or recalled products could have a material adverse effect on our ability to successfully market our products and on our business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the costs associated with defending such claims and/or the negative publicity surrounding a product recall or any assertion that our products caused property damage or personal injury, could damage our brand identity and our reputation with existing and potential customers and have a material adverse effect on our business, financial condition and results of operations.

Changes in, or failure to comply with, laws and regulations could increase our cost of doing business and/or adversely impact the boating industry.

We are subject to a wide variety of laws and regulations in the United States and the other countries and jurisdictions in which we operate, and changes in the level of government regulation of our business have the potential to materially alter our business practices and/or our profitability. Changes in U.S. or foreign law that change our operating requirements with respect to sourcing or reselling products could increase our costs of compliance or make it too expensive for us to offer such products, which could lead to a reduction in revenue. Also, changing regulations and laws governing the Internet and eCommerce transactions (including taxation, user privacy, data protection, pricing and electronic communications) could impede the growth of our eCommerce business and increase our cost of doing business. In addition, changes in interpretations of laws or regulations, including interpretations as to what constitutes personally identifiable information, could adversely impact industry practices related to the collection and use of customer information. Any changes we make in the manner in which we collect and/or use such information could add significant costs, expose us to litigation, impact our marketing efforts, impede growth of our customer database and limit our customer-service offerings. Furthermore, changes in federal or state wage requirements (including changes in minimum wage requirements, entitlement programs such as health insurance, paid leave programs, or other changes in workplace regulation) could adversely impact our ability to achieve our financial targets.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC promulgated final rules regarding disclosure of the use of certain minerals (tantalum, tin, gold and tungsten) known as conflict minerals, which are mined from the

Democratic Republic of the Congo and adjoining countries, as well as procedures regarding a manufacturer's efforts to identify the sourcing of such minerals and metals produced from those minerals. These requirements required due diligence efforts in 2013 and continuing into 2014, with initial disclosure requirements effective in May 2014. There are costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes or sources of supply as a consequence of such verification activities. We may also face reputational challenges if we are unable to verify the origins for any or all conflict minerals used in our products, or if we are unable to certify that our products are "conflict free."

We do not control our vendors or the manufacturers that produce the products we buy from them, nor do we control the labor practices of our vendors and these manufacturers. The violation of labor by any of our vendors or these manufacturers or the divergence of the labor practices followed by any of our vendors or these manufacturers from those generally accepted as ethical in the United States, could interrupt, or otherwise disrupt, the shipment of finished products to us or damage our reputation. Additionally, failure to comply with laws and regulations concerning ethical business practices by these vendors or manufacturers, such as the U.S. Foreign Corrupt Practices Act, could have a material adverse effect on our financial condition and results of operations.

Additionally, certain of our products are subject to regulation and regulatory standards set by various governmental authorities with respect to quality and safety. These regulations and standards may change from time to time. Our inability to comply on a timely basis with regulatory requirements could result in significant fines or penalties, which could adversely affect our reputation and sales. Issues with the quality and safety of merchandise we sell, regardless of our culpability, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs.

We are subject to governmental export and import controls that could subject us to liability.

Many of the products we sell are sourced by our vendors and, to a limited extent, by us, in many foreign countries. In addition, we export merchandise to international customers. As a result, we are subject to the various risks of doing business in foreign markets and importing merchandise from abroad or exporting merchandise to customers abroad, such as: potential disruptions in supply; changes in duties, tariffs, quotas on imported and exported merchandise; strikes and other events affecting delivery; consumer perceptions of the safety of imported merchandise; concerns about human rights, working conditions and other labor rights and conditions in foreign countries where merchandise is produced; disruptions of shipping and international trade caused by natural and man-made disasters; significant delays in the delivery of cargo due to security considerations; and economic and political conditions or terrorist acts, or other problems in countries from or through which merchandise is imported and exported. Although we have enhanced policies and procedures to address these deficiencies and to facilitate compliance with laws and regulations relating to doing business in foreign markets and importing merchandise from, and exporting merchandise abroad, such laws and regulations are highly complex and there can be no assurance that our associates, contractors, agents, vendors or other third parties with whom we do business will not violate such laws and regulations or our policies, which could adversely affect our operations or operating results.

Changes in accounting standards, interpretations or applications of accounting principles, and subjective assumptions, estimates and judgments by management related to complex accounting matters, could significantly affect our financial results.

GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business including, but not limited to, inventory valuation adjustments, capitalized indirect costs, costs associated with exit activities, impairment of long-lived assets, workers' compensation reserves, and valuation allowances against our deferred tax assets, are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance. Additionally, changes in accounting principles and related accounting pronouncements, their interpretation and/or their application to our financial statements, particularly in light of the ongoing convergence of GAAP and International Financial Reporting Standards, could result in material charges to our financial statements.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Our executive offices and support center are located in a 104,000 square foot facility in Watsonville, California, which we occupy under a lease that expires in 2016. We operate a 240,000 square foot distribution center located in Hollister, California, under a lease that expires in 2021. We also operate a 472,000 square foot distribution center located in Rock Hill, South Carolina, under a lease that expires in 2017. At December 28, 2013, our 287 stores comprised an aggregate of approximately 2.7 million square feet of space. All but one of our stores are leased, typically for a five-year or 10-year initial term, with options to renew for at least one five-year period. In some leases, we pay a fixed rent, in others we have a period of fixed rent and then a rent charge that is either fixed, determined by fair market rent or determined by a consumer price index calculation. Substantially all of our leases require us to pay insurance, utilities, real estate taxes, repair and maintenance expenses and common area maintenance.

ITEM 3—LEGAL PROCEEDINGS

We are involved in various legal and administrative proceedings, claims and litigation and regulatory compliance audits arising in the ordinary course of business. Accordingly, material adverse developments, settlements or resolutions may occur and negatively impact our results in the quarter and/or fiscal year in which such developments, settlements or resolutions are reached. Based on the facts currently available, we do not believe that the disposition of any claims, regulatory compliance audits, legal or administrative proceedings that are pending or asserted, individually and in the aggregate, will have a material adverse effect on our financial position. However, an adverse judgment by a court, administrative or regulatory agency, arbitrator or a settlement could adversely impact our results of operations in any given period.

For any claims, regulatory compliance audits, legal or administrative proceedings where we have determined that a loss is probable, there is no material difference between the amount accrued and the reasonably possible amount of loss. For any such matters where a loss is reasonably possible, the range of estimated loss is not material individually and in aggregate.

ITEM 4—MINE SAFETY DISCLOSURE

None.

PART II

ITEM 5—MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market (effective January 3, 2011) under the symbol "WMAR". The following table sets forth, for the periods indicated, the high and low closing sales prices for our common stock, as reported by the NASDAQ Stock Market.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013				
High	$ 13.18	$ 12.43	$ 12.30	$ 14.23
Low	$ 10.61	$ 11.00	$ 10.58	$ 11.25
2012				
High	$ 13.41	$ 12.41	$ 12.22	$ 10.75
Low	$ 10.35	$ 9.94	$ 9.67	$ 9.39

As of March 3, 2014, there were approximately 6,283 holders of record of our common stock, and the last sale price reported on the NASDAQ Global Select Market was $12.21 per share. We have not paid any cash dividends on our common stock, and we do not anticipate doing so in the foreseeable future.

Issuer Purchases of Equity Securities

As previously reported, West Marine's Board of Directors approved a $10 million share repurchase program in March 2013. Through December 28, 2013, we repurchased 298,094 shares under this program for a total cost of $4.0 million. As of December 28, 2013, we were authorized to repurchase additional shares of our common stock with an aggregate cost of approximately $6.1 million. Please refer to Note 11 to our consolidated financial statements in this annual report on Form 10-K for more information regarding the share repurchase program.

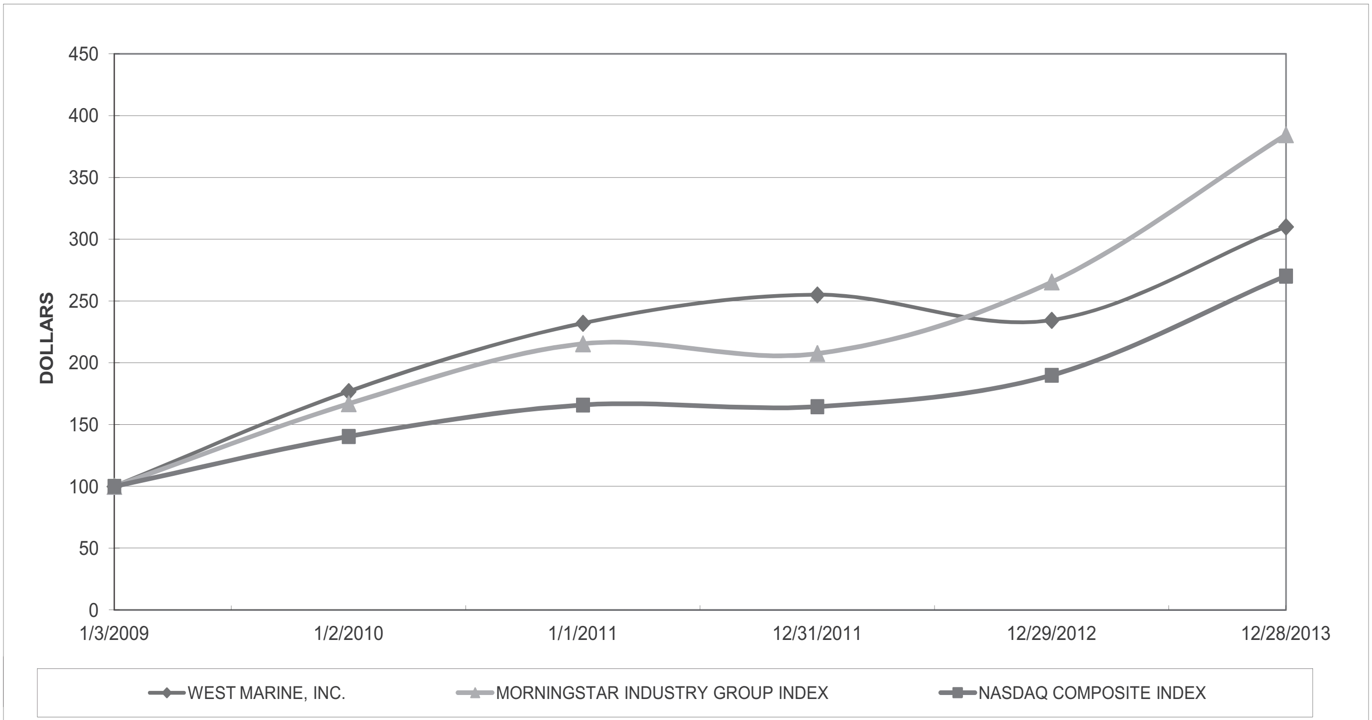
Any further repurchases may be made from time to time in the open market, in privately negotiated transactions, subject to market conditions, applicable legal requirements and other factors. The program does not obligate West Marine to acquire any additional common stock and the program may be suspended at any time at our discretion.

The following table presents details of our share repurchase transactions during the three months ended December 28, 2013:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
September 29 - October 26	610	$ 11.33	610	$ 9,445,495
October 27 - November 23	56,267	$ 12.77	56,267	$ 8,726,687
November 24 - December 28	192,358	$ 13.40	192,358	$ 6,149,238
Total	249,235	$ 13.25	249,235	$ 6,149,238

The information required by this item with respect to securities authorized for issuance under equity compensation plans is incorporated by reference from our definitive proxy statement for our 2014 annual meeting of stockholders.

The following graph compares the five-year cumulative total stockholder return on West Marine common stock with the five-year cumulative total return of (i) the NASDAQ Composite Index and (ii) peer companies in the Morningstar Industry Group—Specialty Retail index. The graph showing the Morningstar Industry Group—Specialty Retail was compiled and prepared for West Marine by Zacks Investment Research. We have been advised by Morningstar that Zacks Investment Research is the exclusive provider of Morningstar industry data for total return performance graphs. The index presented below consists of 201 specialty retailers.



COMPARISON OF 5 YEAR CUMMULATIVE TOTAL RETURN
ASSUMES $100 INVESTED ON JAN. 3, 2009
ASSUMES DIVIDEND REINVESTMENT
FISCAL YEAR ENDING DEC. 28, 2013

Fiscal Year End:	**1/3/2009**	**1/2/2010**	**1/1/2011**	**12/31/2011**	**12/29/2012**	**12/28/2013**
West Marine, Inc.	$ 100.00	$ 176.75	$ 232.02	$ 255.04	$ 234.43	$ 310.09
Specialty Retail	100.00	140.43	165.89	164.58	189.99	270.30
NASDAQ Composite Index	100.00	166.89	215.45	207.54	265.47	384.57

The performance graph set forth above will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or under the Exchange Act, except to the extent that we specifically incorporate it by reference, and will not otherwise be deemed to be soliciting material or to be filed under such Acts.

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

The following consolidated balance sheet data for 2013 and 2012 and consolidated statement of operations data for 2013, 2012 and 2011 have been derived from our consolidated financial statements for the fiscal years appearing elsewhere in this report and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and our consolidated financial statements and notes thereto in Item 8. The consolidated balance sheet data for 2011, 2010 and 2009 as well as the statement of operations data for 2010 and 2009 are derived from audited consolidated financial statements and the notes thereto that are not included in this annual report on Form 10-K.

(in thousands, except per share and operating data)	2013	2012 (1)	2011 (1)		2010 (1)	2009 (1)
Consolidated Statement of Operations Information:						
Net revenues	$ 663,174	$ 675,251	$ 643,443		$ 622,290	$ 588,739
Income (loss) from operations	15,743	25,298	22,789		14,846	10,813
Income (loss) before income taxes	15,309	24,457	21,871		14,209	10,007
Net income (loss)	7,837	14,719	32,753	(2)	13,189	12,844
Net income (loss) per share:						
Basic	$ 0.32	$ 0.63	$ 1.44	(2)	$ 0.59	$ 0.58
Diluted	0.32	0.62	1.41	(2)	0.57	0.57
Consolidated Balance Sheet Information:						
Working capital	$ 222,980	$ 217,750	$ 194,707		$ 171,106	$ 151,997
Total assets	364,243	350,979	332,948		304,433	287,611
Long-term debt, net of current portion	—	—	—		—	—
Operating Data:						
Stores open at year-end	287	300	319		327	335
Comparable stores net sales increase (decrease) (3)	(1.8)%	3.1%	2.3%		5.5%	(5.7)%

(1) Prior periods have been revised, primarily to reflect immaterial corrections of cash consideration received from vendors that participate in our Key Season Program. Amounts received from vendors were previously reported as a reduction of advertising expense under selling, general and administrative expense and are now reflected as a reduction of cost of goods sold. The impact of the revision to 2010 and 2009 was a reduction of cost of goods sold of $8.9 million and $8.0 million and an increase of $8.5 million $7.2 million to selling, general and administrative expense for 2010 and 2009, respectively. See Note 1 to our consolidated financial statements for further discussion.

(2) Includes a $18.4 million non-cash benefit from the release of substantially all of our valuation allowance against deferred tax assets (see Note 8 to our consolidated financial statements for further discussion).

(3) Comparable store sales are calculated by including net sales of stores that have been open at least 13 months. Therefore, a store is included in the comparable store sales in the fiscal period in which they commence their 14th month of operations. Stores that were closed or substantially remodeled (i.e., resulting in an increase or decrease of 40% or more of selling square footage) are excluded from the comparable store sales base. Beginning in fiscal 2013 and in line with our omni-channel focus, we reported comparable store sales results to include sales from our direct-to-consumer and wholesale channels. For fiscal years 2012, 2011, 2010 and 2009, previously reported comparable store sales, which excluded direct-to-consumer and wholesale sales were 3.3%, 2.3%, 6.3% and (3.6)%, respectively.

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon our financial statements as of the dates and for the periods presented in this section. You should read this discussion and analysis in conjunction with the financial statements and supplementary data in Item 8 of this annual report on Form 10-K.

Forward-Looking Statements

The statements in this Form 10-K that relate to future plans, events, expectations, objectives or performance (or assumptions underlying such matters) are forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements include, among other things, statements that relate to our future plans, expectations, objectives, performance and similar projections, such as:

- future earnings and growth in sales and profitability;
- our efforts to reposition West Marine from a boating equipment and accessories retailer to a water life outfitter with a broader product offering targeting a larger customer base, which requires the success of our key growth strategies: eCommerce expansion, store optimization, and merchandise expansion; and
- our ability to continue to manage our expenses and execute on our growth strategies in a relatively flat boating equipment market, as well as facts and assumptions underlying these statements or projections.

These forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this report. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations. These risks, uncertainties and other factors are discussed under risk factors in Item 1A of this report.

Readers are cautioned not to place undue reliance on forward-looking statements, which are based only upon information available as of the date of this report. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Overview

We are the largest omni-channel specialty retailer exclusively offering boating supplies, gear, apparel and footwear to anyone who enjoys recreational time on or around the water with 2013 net revenues of $663.2 million and net income of $7.8 million. Providing great customer experiences and a consistent brand is important to us regardless of the sales channel the customer uses. Our 287 stores open at the end of 2013 are located in 38 states, Puerto Rico and Canada and together with our eCommerce website reaching domestic and international customers, we are recognized as the dominant waterlife outfitter for cruisers, sailors, anglers and paddle sports enthusiasts.

We have focused on the following key growth strategies during 2013 and will continue to focus on and invest in these strategies in 2014 (for additional information refer to Item 1. Business of this report):

- eCommerce
- store optimization
- merchandise expansion

We have and will continue to invest significant resources in support of these key growth strategies. This will include additional capital investments to continue to improve our eCommerce websites and to upgrade our information technology infrastructure to further support our omni-channel retail model, designed to provide a seamless customer experience across all shopping channels. We will also incur additional investments in staffing to support execution in key areas, such as information technology and eCommerce. In addition, there will be incremental investments in marketing which, along with a reallocation of some of our traditional media spending, is intended to attract a more diverse group of customers and, thereby, grow our customer base. These strategies and investments are expected to better position us to deliver incremental sales and operating margin improvement over time.

We have corrected immaterial errors in our prior period financial statements primarily related to vendor cash consideration for advertising and other selling expenses as described in Item 8, Note 1 to our consolidated financial reports of this report. Please refer to Note 1 to our consolidated financial statements in Item 8 of this annual report on Form 10-K for additional information on the corrections.

Results of Operations

The following table sets forth certain income statement components expressed as a percent of net revenues:

	2013	2012	2011
Net revenues	100.0%	100.0%	100.0 %
Cost of goods sold	71.1%	69.3%	69.9 %
Gross profit	28.9%	30.7%	30.1 %
Selling, general and administrative expense	26.5%	27.0%	26.6 %
Store closures and other restructuring costs	—%	—%	— %
Impairment of long-lived assets	—%	—%	— %
Income from operations	2.4%	3.7%	3.5 %
Interest expense	0.1%	0.1%	0.1 %
Income before income taxes	2.3%	3.6%	3.4 %
Provision (benefit) for income taxes	1.1%	1.4%	(1.7)%
Net income	1.2%	2.2%	5.1 %

Fiscal 2013 compared with Fiscal 2012

Revenues

Net revenues for 2013 were $663.2 million, a decrease of $12.2 million or 1.8%, compared to net revenues of $675.3 million for 2012. This decrease primarily was due to a $11.5 million or 1.8% decrease in comparable store sales. Comparable store sales changes during the first, second, third and fourth quarters of 2013 were (6.6)%, (2.7)%, 0.9% and 0.5%, respectively.

Core products, which represented 83.5% and 84.7% of our total revenues for 2013 and 2012, respectively, were down 2.9% during 2013 as compared to the same period last year, primarily as a result of reduced boat usage. These reductions year-over-year were partially offset by increased sales from promotional activity and successes in our three key growth strategies, which remain a relatively small portion of our overall business and are discussed below.

As compared to the same period last year, we saw positive sales growth from our three key strategies: eCommerce; merchandise expansion; and store optimization. Sales through our direct-to-consumer channel, driven by domestic eCommerce growth, increased by 15.7%. The direct-to-consumer channel represented 6.5% of our 2013 revenues, as compared to 5.5% last year. Sales in our merchandise expansion categories (including footwear, apparel, clothing accessories, fishing products and paddle sports equipment) were up 6.1%. Merchandise expansion products represented 16.5% of our 2013 revenues, as compared to 15.3% last year. Finally, with respect to our store optimization strategy, sales from stores in our optimized markets, where we have moved to a larger format store from multiple, smaller locations, were up 4.4%, during 2013. We also experienced increased sales to professional customers during 2013, primarily through our store locations, which we believe resulted from our ongoing efforts to better serve this group of customers through our store locations.

Gross profit

Gross profit decreased by $15.9 million, or 7.6%, to $191.6 million in 2013, compared to $207.5 million for 2012, primarily due to lower sales. Gross profit decreased as a percentage of net revenues to 28.9% in 2013, compared to 30.7% in 2012. This was driven by lower raw product margin rate, which decreased by 1.1%, primarily due to promotional offers and a shift in balance of sales from our retail customers, where transaction counts were down due to less boat usage and reduced commissioning activities, and a shift toward sales from professional customers given the success of our wholesale growth strategy. Professional customers receive discounts on products based on purchase volumes that are not consistently offered to retail customers. Gross profit rate was also lower by 0.5% due to higher occupancy expenses during the year, primarily due to store closure reserves recorded as a result of our store optimization strategy and by 0.2% primarily due to higher inventory shrinkage.

Selling, general and administrative ("SG&A") expense

SG&A expense for 2013 was $175.9 million, a decrease of $6.2 million, or 3.4%, compared to $182.1 million last year. SG&A decreased as a percentage of revenues to 26.5% in 2013, compared to 27.0% in 2012. Drivers of lower SG&A expense included: a $4.4 million reduction in bonus expense due to increased bonus target thresholds that were not achieved; a $1.9 million reduction in store payroll expense; a $1.7 million reduction in support expense; and a $1.2 million reduction related to Chief Executive Officer transition costs incurred in 2012. This was partially offset by a $2.9 million increase in support expense related to our key growth strategies, which includes investments in information technology infrastructure and our eCommerce website.

Interest expense

Interest expense was $0.4 million in 2013, down from $0.8 million in 2012. This expense consists primarily of the amortization of commitment fees, as our borrowings were minimal in 2013. Cash provided by operating activities funded property and equipment investments.

Net Income

Net income for 2013 was $7.8 million compared to net income for 2012 of $14.7 million. Our effective income tax rate for 2013 was 48.8%, compared to 39.8% in 2012. The year-over-year change in our effective tax rate was primarily due to the change in gross valuation allowance against state tax credits in the amount of $2.2 million; this change increased our annual effective tax rate by 9.3%. Our effective tax rate is subject to change based on the mix of income from different state and foreign jurisdictions that tax at different rates, as well as the change in status or outcome of uncertain tax positions. Our foreign earnings are not indefinitely reinvested outside the U.S. and are subject to current U.S. income tax. For more information, see Note 8 to our consolidated financial statements.

Fiscal 2012 compared with Fiscal 2011

Revenues

Net revenues for 2012 were $675.3 million, an increase of 4.9%, compared to net revenues of $643.4 million for 2011. This increase was primarily due to a $16.7 million, or 3.1%, increase in comparable store sales.

Core products, which represented 84.8% and 86.1% of our total revenues for 2012 and 2011, respectively, and tend to be dependent upon boat-usage, were up 3.5% during 2012 as compared to the same period last year. These increases year-over-year were driven by an earlier than normal start to the boating season in the Northeast and Great Lakes regions, as well as favorable boating conditions throughout the year for other areas of the country. Additionally, we continued to see successes in our three key growth strategies which remain a relatively small portion of our overall business and are discussed below.

As compared to the same period in the prior year, we saw positive sales growth from our three key strategies in 2012: eCommerce; merchandise expansion; and store optimization. Sales through our direct-to-consumer channel, driven by domestic eCommerce growth, increased by 4.4%. The direct-to-consumer channel represented 5.5% of our 2012 revenues, as compared to 5.4% of 2011 revenues. Sales in our merchandise expansion categories (including footwear, apparel, clothing accessories, fishing products and paddle sports equipment) were up 15.2%. Merchandise expansion products represented 15.3% of our 2012 revenues, as compared to 13.9% in 2011. Finally, with respect to our store optimization strategy, sales from stores in our optimized markets, where we have moved to a larger format store from multiple, smaller locations, were up 22.0%, during 2012. We also experienced increased sales to professional customers during 2012, primarily through our store locations, which we believe resulted from our ongoing efforts to better serve this group of customers through our store locations.

Gross profit

Gross profit increased by $13.8 million, or 7.1%, to $207.5 million in 2012, compared to $193.7 million for 2011, primarily due to higher sales. Gross profit increased as a percentage of net revenues by 0.6% to 30.7% in 2012, compared to 30.1% in 2011, primarily due to the leveraging of occupancy expense by 0.5% on higher sales and a 0.1% improvement in shrink. These improvements were partially offset by a 0.1% increase in unit buying and distribution costs.

Selling, general and administrative expense

SG&A expense for 2012 was $182.1 million, an increase of $11.2 million, or 6.6%, compared to $170.9 million for last year. SG&A increased as a percentage of revenues to 27.0% in 2012, compared to 26.6% in 2011. Drivers of higher SG&A expense included: a $3.2 million increase in support expense related to our key growth strategies, which includes investments in information technology infrastructure and the eCommerce website; $3.1 million in higher store project expense reflecting the opening of ten stores this year compared to six stores last year; $1.4 million in higher training costs including West Marine University, our biennial Company-wide training event and store associate training programs; $1.3 million in higher advertising to support additional circulation of marketing materials, to perform market tests and for Grand Openings at our new locations; and $1.2 million in additional expense related to our Chief Executive Officer transition.

Interest expense

Interest expense was $0.8 million in 2012, slightly down from $0.9 million in 2011. This expense consists primarily of the amortization of commitment fees, as our borrowings were minimal in 2012. Cash provided by operating activities funded property and equipment investments with excess cash being used to pay down our seasonal use of debt. This was the primary driver of the outstanding bank borrowings in 2012.

Net Income

Net income for 2012 was $14.7 million compared to net income for 2011 of $32.8 million. Lower net income in 2012 was primarily attributable to the release of substantially all of our valuation allowance in 2011. Our effective income tax rate for 2012 was a provision of 39.8%, compared to a benefit of 49.8% in 2011. The year-over-year change in our effective tax rate was primarily due to the release of substantially all of our valuation allowance during the second quarter of 2011, resulting in a $18.4 million benefit in that year. For more information, see Note 8 to our consolidated financial statements.

Liquidity and Capital Resources

Our cash was used to fund working capital, operating expenses, debt service, share repurchases and capital expenditures, primarily related to the build-out of new stores and improvements in our information technology infrastructure, which support our store optimization and eCommerce strategic growth strategies. Funds generated by operating activities, available cash and our credit facility are our largest sources of cash. At the end of both 2013 and 2012, we were debt free. However, we may borrow against our credit facility during the first half of each year as we build inventory levels in preparation for the key boating season.

Working capital, the excess of current assets over current liabilities, increased to $223.0 million at the end of 2013, compared to $217.8 million at the end of 2012. The increase in working capital primarily was attributable to a $13.7 million higher merchandise inventory balance which is in support of our growth strategy of merchandise expansion and a reduction of $3.4 million in accrued expenses at the end of 2013. Partially offsetting these improvements in working capital were a $4.3 million reduction in assets held for sale, and an $8.1 million lower cash balance.

Operating Activities

During 2013, our primary source of liquidity was cash flow from operations. Net cash provided by operating activities decreased year-over-year by $12.4 million, to $13.6 million in 2013, compared to $26.0 million last year. The decrease in cash provided by operating activities was due primarily to changes in operating assets and liabilities, including increases of merchandise inventories compared to the prior year, and decreases in accounts payable resulting from the timing of payments to vendors. Additionally, we experienced net income of $7.8 million in 2013 versus net income of $14.7 million in 2012. Non-cash charges to earnings in 2013 included depreciation and amortization of $15.0 million, stock-based compensation of $3.2 million and deferred income taxes of $3.5 million.

During 2012, our primary source of liquidity was cash flow from operations. Net cash provided by operating activities decreased year-over-year by $10.7 million to $26.0 million in 2012, compared to $36.7 million in 2011. The decrease in cash provided by operating activities was due primarily to changes in operating assets and liabilities, including increases of prepayments and other receivables compared to the prior year and decreases in accounts payable resulting from the timing of payments to vendors. Prepayments and other receivables increased due to payments for sales taxes and bank fees. Additionally, we experienced net income of $14.7 million in 2012 versus net income of $32.8 million in 2011. Non-cash charges to earnings in 2012 included depreciation and amortization of $15.3 million, stock-based compensation of $3.1 million and deferred income taxes of $4.6 million.

During 2011, our primary source of liquidity was cash flow from operations. Net cash provided by operating activities increased year-over-year by $11.8 million to $36.7 million in 2011, compared to $24.9 million in 2010. The increase in cash provided by operating activities was due primarily to increases in cash provided by net income and reduced inventory levels, partially offset by an increase in cash used for accrued expenses. Cash used for inventory was lower due primarily to our continued focus on inventory management and ensuring the correct product assortment in each store based on customer demographics. Cash used for accrued expenses partially offset the increase in cash primarily as a result of lower accrued bonus expense given our increased bonus target thresholds in 2011 as compared to accrued bonus and related thresholds in fiscal 2010.

Investing Activities

In 2013, our capital expenditures were $24.2 million, primarily for new stores, store remodels, eCommerce website, information technology and investment in supply chain efficiencies. We opened 11 new stores and remodeled one store in 2013. During 2014, we expect to increase capital spending, primarily in support of strategic growth initiatives which include store optimization and our eCommerce website. Additionally, we will continue to invest in enhancements to our information technology infrastructure. We intend to fund our expansion through cash generated from operations and, if necessary, credit facility borrowings.

In 2012 and 2011, our capital expenditures were $17.8 million and $17.2 million, respectively, mostly for new stores, store remodels, information technology and investment in supply chain efficiencies. We opened 10 new stores and remodeled four stores in 2012 and in 2011, we opened six new stores and remodeled four stores.

Financing Activities

Net cash provided by financing activities was $2.4 million in 2013, primarily consisting of a $6.5 million increase in cash from associate share-based compensation plans, partially offset by $4.0 million in cash used toward share repurchases. Net cash provided by financing activities was $4.4 million in 2012, primarily consisting of a $4.9 million increase in cash from associate share-based compensation plans, partially offset by $0.6 million in cash used to pay loan costs associated with the first amendment to our amended and restated loan agreement. Net cash provided by financing activities was $2.4 million in 2011, attributed entirely to an increase in cash related to associate share-based compensation plans.

Credit Agreement

Our current loan and security agreement, as amended, with Wells Fargo Bank, National Association and the other lenders signatory thereto provides a maximum available borrowing capacity of $120.0 million. In addition, at our option and subject to certain conditions, we may increase our borrowing capacity up to an additional $25.0 million. The amount available to be borrowed is based on a percentage of our inventory (excluding capitalized indirect costs) and accounts receivable.

The revolving credit facility is available for general working capital and general corporate purposes. At our election, borrowings under the revolving credit facility will bear interest at one of the following options:

1. The prime rate, which is defined in the loan agreement as the highest of:
    a. Federal funds rate, as in effect from time to time, plus one-half of one percent;
    b. LIBOR rate for a one-month interest period plus one percent; or
    c. The rate of interest in effect for such day as publicly announced from time to time by Wells Fargo as its "prime rate," or
2. The LIBOR rate quoted by the British Bankers Association for the applicable interest period.

In each case, the applicable interest rate is increased by a margin imposed by the loan agreement. The applicable margin for any date will depend upon the amount of available credit under the revolving credit facility. The margin range for option (1) above is between 0.5% and 1.0% and for option (2) above is between 1.5% and 2.0%.

The loan agreement also imposes a fee on the unused portion of the revolving credit facility available. For 2013, 2012 and 2011, the weighted-average interest rate on all of our outstanding borrowings was 3.8%, 4.7% and 3.1%, respectively.

Although the loan agreement contains customary covenants, including, but not limited to, restrictions on our ability to incur liens, make acquisitions and investments, pay dividends and sell or transfer assets, it does not contain debt or other similar financial covenants, such as maintaining certain specific leverage, debt service or interest coverage ratios. Instead, our loan is asset-based (which means our lenders maintain a security interest in our inventory and accounts receivable which serve as collateral for the loan), and the amount we may borrow under our revolving credit facility at any given time is determined by the estimated value of these assets as determined by the lenders' appraisers. Additionally, we must maintain a minimum revolving credit availability equal to the greater of $7 million or 10% of the borrowing base. In addition, there are customary events of default under our loan agreement, including failure to comply with our covenants. If we fail to comply with any of the covenants contained in the loan agreement, an event of default occurs which, if not waived by our lenders or cured within the applicable time periods, results in the lenders having the right to accelerate repayment of all outstanding indebtedness under the loan agreement before the stated maturity date and the revolving credit facility could be terminated. As of December 28, 2013, we were in compliance with the covenants under our loan agreement.

At the end of 2013 and 2012, there were no amounts outstanding under our revolving credit facilities, and we had $98.8 million and $91.7 million, respectively, available for future borrowings. At the end of 2013 and 2012, we had $4.6 million and $5.1 million, respectively, of outstanding commercial and stand-by letters of credit. We strategically manage our debt over the course of our fiscal year. We incur seasonal fluctuations in our cash flows and, therefore, we incur debt as we build up our inventories for spring in order to maintain stock levels sufficient to fulfill customer needs and maximize sales during the main boating season. Additionally, we hire a significant number of temporary associates during the summer, our peak selling season. Our weighted-average outstanding balances for the first quarters of 2013 and 2012 were less than $0.1 million and $0.1 million, respectively. For our second quarters of 2013 and 2012, the weighted-average outstanding balances were not material and $0.1 million, respectively, and the third quarter weighted-average outstanding balances for both 2013 and 2012 were not material. The fourth quarter weighted-average outstanding balances for both 2013 and 2012 were not material.

We may borrow against our aggregate borrowing base up to the maximum revolver amount, which was $120.0 million at both year-end 2013 and 2012. Our borrowing base at each of our last two fiscal year-ends consisted of the following (in millions):

	2013	2012
Accounts receivable availability	$ 5.1	$ 4.4
Inventory availability	115.6	108.3
Less: reserves	(6.0)	(5.4)
Less: minimum availability	(11.5)	(10.7)
Total borrowing base	$ 103.2	$ 96.6

Our aggregate borrowing base was reduced by the following obligations (in millions):

Ending loan balance/(overpayment)	$ (0.2)	$ (0.2)
Outstanding letters of credit	4.6	5.1
Total obligations	$ 4.4	$ 4.9

Accordingly, our availability as of fiscal year end 2013 and 2012, respectively, was (in millions):

Total borrowing base	$ 103.2	$ 96.6
Less: obligations	(4.4)	(4.9)
Total availability	$ 98.8	$ 91.7

Contractual obligations

Aggregate information about our unconditional contractual obligations as of December 28, 2013 is presented in the following table (in thousands).

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual cash obligations:					
Operating leases(1)	$ 291,863	$ 48,902	$ 85,070	$ 58,186	$ 99,705
Purchase commitments(2)	70,476	69,776	700	—	—
Bank letters of credit	4,235	4,235	—	—	—
Other long-term liabilities	4,403	2,833	1,570	—	—
	$ 370,977	$ 125,746	$ 87,340	$ 58,186	$ 99,705

(1) Operating lease amounts in this table represent minimum amounts due under existing agreements and exclude costs of insurance, taxes, repairs and maintenance.

(2) All but a limited number of our purchase commitments are cancelable by us without penalty; however, we do intend to honor these commitments.

We are party to various arrangements that are conditional in nature and obligate us to make payments only upon the occurrence of certain events, such as delivery of functioning software products. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. This table does not include amounts related to our uncertain tax positions of $2.5 million. We do not anticipate a material effect on our liquidity as a result of payments in future periods of liabilities for uncertain tax positions.

Off-balance sheet arrangements

Operating leases are the only financing arrangements not reported on our consolidated balance sheets. We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes. As of December 28, 2013, we are not involved in any unconsolidated special purpose entities or variable interest entities.

Stock repurchase program

In August 2013, we entered into a written trading plan (the "10b5-1 Plan") under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to facilitate the repurchase of shares of our common stock in accordance with our share repurchase authorization. As previously announced in March 2013, our Board of Directors approved the repurchase of up to $10 million of our common stock through open market or privately-negotiated transactions.

The 10b5-1 Plan allowed our broker to repurchase common stock on our behalf pursuant to the terms and limitations specified in the Plan, including to the extent such purchases were permitted pursuant to Regulation M and Rule 10b-18 of the Exchange Act.

As of December 28, 2013, we had repurchased 298,094 shares at an aggregate price of approximately $4.0 million and an average price per share of $12.92 under the repurchase plan.

Seasonality

Historically, our business has been highly seasonal. In 2013, approximately 65% of our net sales and all of our net income occurred during the second and third quarters, principally during the period from April through August, which represents the peak months for boat buying, usage and maintenance in most of our markets.

Business Trends

Our 2013 financial results represented a challenging year, with a total sales decline of 1.8% and comparable store sales declining by 1.8%. We believe our lower sales results during the first half of the year were primarily driven by unusually cold, rainy and windy weather in many of our markets which, in turn, drove a reduction in boat usage, and in certain seasonal markets, caused some customers to entirely forgo typical Spring commissioning of their boats. During the second half of 2013, we experienced a modest recovery in our sales trends as somewhat better weather conditions returned in many of our markets, which in turn led to improved boat usage and sales in our core categories.

We also believe that there are fundamental trends continuing to emerge in our industry that are affecting our customers and their purchase patterns. These trends reinforce our realization that the core boat parts and accessories business is not going to be sufficient to meet our performance goals of achieving steady, profitable growth. We believe that we can accomplish our goals by accelerating the execution of our growth strategies to achieve a repositioning of West Marine into a broader waterlife outfitter, as well as, the leading boat parts specialty retailer. This repositioning will expand our potential market and is expected to reduce our dependence on weather.

The following is a summary of the main identified trends together with our actions in response to them:

Sales growth in mid-to-larger size boats used by our core customers are well below pre-recession levels, and we do not expect a meaningful change in this longer-term trend. Therefore, as previously disclosed, we are evolving to serve both core boaters and the coastal lifestyle in order to appeal to a more diverse group of customers who like to recreate on and around the water.

Secondly, we are experiencing aging demographics. The average age of our core customer base now stands at approximately 50-54 years for power boaters and 60-64 years for sailors. Therefore, we are targeting younger customers through broader lifestyle products, relevant marketing campaigns, and by, delivering the products and the shopping experience they desire.

Finally, we believe that there is increasing competition for the consumer's time. Therefore, we must offer products that allow for recreation in shorter spans of time. For us to build the activity of boating, we have to clearly identify gateway activities that can be done a short period of time, such as paddlesports. This should allow us to grow a base of customers who are passionate about their life on the water.

Our key growth strategies, including our 15/50 plan, have delivered encouraging early results, but they remain a relatively small part of our business. As we continue to test and learn, our confidence in these strategies has increased to the point we believe it is time to ramp up our investments, as outlined below:

- eCommerce: Sales which originated in our direct-to-consumer channel grew by 15.7% during 2013, which was much higher than the 4.7% growth we experienced in 2012. These sales represented 6.5% of total sales in 2013, up from 5.5% for the corresponding period in 2012. Our three to five-year goal is for eCommerce to represent 15% of sales.
- Store optimization: Up through 2013, our efforts at store optimization focused on store consolidation (evolving to having fewer, larger stores with broader selection, improved shopping experience, and anticipated improved store economics). We expect this activity to continue for the next two to three years. During 2013, we began testing a new element of store optimization, which is "revitalization" of stores where we currently have suitable store footprints and locations. These projects are intended to increase sales by bringing new store design elements featuring an expanded merchandise assortment, and an improved shopping experience to a broader and more diverse group of potential customers. In 2013, 35% of our total sales came through optimized stores. Our three to five year goal is to deliver 50% of our total sales through optimized stores.
- Merchandise expansion: Sales in our merchandise expansion categories (including soft goods, fishing, paddle sports, and accessories) support the eCommerce and store optimization strategies and grew by 6.1% during 2013, whereas sales in our core categories declined by 2.9%, primarily as a result of reduced boat usage. Sales of merchandise expansion products represented 16.5% of total sales for 2013, up from 15.3% in 2012.

We continue to see evidence of positive interplay and a strong inter-dependence across our growth strategies. Specifically, our eCommerce and store optimization strategies are being driven by merchandise expansion product offerings and all of our strategies are designed to attract new customers and build upon our customer base. For full-year 2013, 24.3% of our eCommerce sales growth and 63.6% of the sales growth in our stores optimized year-to-date have come from our merchandise expansion strategy.

Given the early success of our growth strategies, and the need to drive them at a faster pace in order to reposition our business to provide steady profitable growth, our financial plans for 2014 reflect the investment of significant resources in support of our key growth strategies, including $30 to $34 million of capital investments for the year. Approximately half of these investments are targeted toward our expanded store optimization program, which will include approximately 12 store consolidation projects and 20 store revitalizations. We will direct approximately 35% of our capital investments to deliver further improvements to our eCommerce website and to continue to upgrade our information technology infrastructure. Both, the eCommerce and store optimization strategies, will allow us to continue to increase sales in our merchandise expansion strategy.

In addition to the capital expenditures impact, our profit and cash flow expectations for 2014 also reflect incremental expense impact of activities directed toward furthering our growth strategies. These strategies and investments support our shift toward becoming an omni-channel retail model designed to provide a seamless customer experience across all shopping channels and to better position us to deliver incremental sales and operating margin improvement, both in the short and long term.

Critical Accounting Policies and Estimates

Management's discussion and analysis of West Marine's financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe our application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated and adjustments are made when facts and circumstances dictate a change. Our accounting policies are more fully described in Note 1 to our consolidated financial statements, in Item 8 of this report.

Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the audit committee of our board of directors.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Inventory—Valuation Adjustments		
We value our merchandise inventories at the lower of the cost or market value on an average cost basis. Inventory cost is written down to market value when cost exceeds market value, which we estimate using current levels of aged and discontinued product and historical analysis of items sold below cost. Lower of cost or market adjustments included in ending inventory at December 28, 2013 and December 29, 2012 were $3.0 million and $2.7 million, respectively.	Our lower of cost or market adjustments contain uncertainties because the calculations require management to make assumptions and to apply judgment regarding forecasted consumer demand, the promotional environment, technological obsolescence and consumer preferences.	We have not made any material changes in our inventory valuation methodology during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our lower of cost or market adjustments. However, if estimates regarding consumer demand are inaccurate or changes in technology affect demand for certain products in an unforeseen manner, we may be exposed to losses that could be material. If we had to take additional markdowns of 10% on all items included in merchandise inventory write-downs at December 28, 2013, net income would be affected by approximately $0.6 million in the fiscal year then ended.
Inventory—Capitalized Indirect Costs		
Inventory cost includes certain indirect costs related to the purchasing, transportation and warehousing of merchandise. Capitalized indirect costs include freight charges for moving merchandise to warehouses or store locations and operating costs of our merchandising, replenishment and distribution activities. We recognize indirect costs included in inventory value as an increase in cost of goods sold as the related products are sold. Indirect costs included in inventory value at December 28, 2013 and December 29, 2012 were $18.9 million and $18.7 million, respectively.	Our capitalized indirect costs contain uncertainties because the calculations require management to make assumptions and to apply judgment relating to factors of our cost accounting system, the soundness of the underlying principles and their consistent application. In interim periods, the calculation of capitalized indirect costs requires management to estimate capitalized indirect costs, merchandise purchases and inventory levels for the full fiscal year.	We have not made any material changes in our capitalized indirect cost methodology during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future assumptions or estimates we use to calculate our capitalized indirect costs. However, if our assumptions or estimates are inaccurate, we may be exposed to losses or gains that could be material. A 10% difference in our expenses included in capitalized indirect costs at December 28, 2013 would have affected net income by approximately $1.2 million in the fiscal year then ended.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Vendor Allowances Receivable		
We establish a receivable and reduce inventory cost for income generated from vendor-sponsored programs, or vendor allowances, that is earned but not yet received from our vendors, which we calculate based on provisions of the programs in place. Due to the complexity of the individual agreements with vendors, we perform detailed analyses and review historical trends to determine an appropriate level for the vendor allowances receivable. Our receivable for vendor allowances at December 28, 2013 and December 29, 2012 was \$3.4 million and \$3.1 million, respectively, and is included in other current assets.	Our vendor allowances receivable contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including our ability to collect amounts due from vendors and in interim periods requires management to estimate future inventory purchases.	We have not made any material changes in the accounting methodology used to establish our vendor allowances receivable during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our vendor allowances receivable. However, if our assumptions or estimates are inaccurate, we may be exposed to losses or gains that could be material. A 10% difference in our estimate of our ability to collect vendor allowances at December 28, 2013 would have affected net income by approximately less than \$0.1 million in the fiscal year then ended.
Costs Associated With Exit Activities		
We occasionally vacate stores prior to the expiration of the related lease. For vacated locations that are under long-term leases, we record an expense for the net present value of the difference between our future lease payments and related costs (e.g., real estate taxes and common area maintenance) from the date of closure through the end of the remaining lease term, net of expected future sublease rental income. Our estimate of future cash flows is based on our analysis of the specific real estate market, including input from real estate firms; and economic conditions that can be difficult to predict. Costs associated with exit activities included in accrued expenses at December 28, 2013 and December 29, 2012 were \$0.7 million and \$0.9 million, respectively.	Our location closing liability contains uncertainties because management is required to make assumptions and to apply judgment to estimate the duration of future vacancy periods, the amount and timing of future settlement payments and the amount and timing of potential sublease rental income. When making these assumptions, management considers a number of factors, including historical settlement experience, the owner of the property, the location and condition of the property, the terms of the underlying lease, the specific marketplace demand and general economic conditions.	We have not made any material changes in the accounting methodology used to establish our location closing liability during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate our location closing liability. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material. A 10% change in our location closing liability or to our estimated sub-lease income at December 28, 2013 would have affected net earnings by approximately less than \$0.1 million in the fiscal year then ended.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Impairment of long-lived assets		
Long-lived assets other than goodwill and indefinite-lived intangible assets, which are separately tested for impairment, are reviewed and evaluated quarterly. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based on estimated future undiscounted cash flows. We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. We may also accelerate depreciation over the asset's revised useful life if it is identified for replacement or abandonment at a specific future date. In both fiscal years 2013 and 2012 we did not have any non-cash charges for impairment of long-lived assets.	Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment in order to estimate future cash flows and asset fair values, including forecasting useful lives of the assets. Depending on the assumptions and estimates used, the estimated future cash flows projected in the evaluation of long-lived assets can vary within a wide range of outcomes. We don't believe impairment charges for long-lived assets are reasonably possible within the next twelve months.	We have not made any material changes in our impairment loss assessment methodology during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate long-lived asset impairment losses. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income Taxes		
The Company computes its provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized. Our effective tax rate is subject to change based on the mix of income from different state and foreign jurisdictions that tax at different rates, as well as the change in status or outcome of tax audits. Our income tax returns are periodically audited by the taxing authority in the jurisdictions in which we operate; these audits include questions regarding our tax filings, including the timing and amount of deductions and allocation of income among the various jurisdictions.	Significant judgments are required in order to determine the realizability of deferred tax assets. In assessing the need for a valuation allowance, we evaluate all significant available positive and negative evidence, including historical operating results, estimates of future taxable income and the existence of prudent and feasible tax planning strategies. Furthermore, the application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our effective tax rate and our income tax exposure. Our effective income tax rate is affected by changes in tax law in the jurisdictions in which we currently operate, tax jurisdictions of new stores, company earnings and the results of tax audits.	Interpretations of and guidance surrounding income tax laws and regulations change over time. Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Liabilities for Self Insurance or High Deductible Losses		
We are self-insured for certain losses, including those related to employee healthcare. However, we obtain third-party insurance coverage to limit our exposure to these claims. In other cases, we purchase commercial insurance, such as for workers' compensation and general liability claims. We insure workers' compensation losses through a high-deductible program, and we recognize our liability for the ultimate payment of incurred claims and claims adjustment expenses by accruing liabilities on an actuarial basis which represent estimates of future amounts necessary to pay claims and related expenses with respect to covered events that have occurred. When estimating our liabilities relating to self-insurance or high-deductible insurance programs, we consider a number of factors, including historical claims experience, severity factors and actuarial analysis. Periodically, management reviews its assumptions and the valuations provided by actuarial analysis to determine the adequacy of our self-insured liabilities.	Liabilities for our self-insured losses or high-deductible insurance programs contain uncertainties because management is required to make assumptions and to apply judgment to estimate the ultimate cost to settle reported claims and claims incurred but not reported as of the balance sheet date.	We have not made any material changes to our self-insurance accrual methodology during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate these liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material. A 10% change in our self-insured liabilities and loss reserves relating to high-deductible insurance programs at December 28, 2013, would have affected net income by approximately $0.3 million in the fiscal year then ended.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Share-Based Compensation		
We have a share-based compensation plan under which we award non-qualified stock options and restricted stock. We also have an associate stock buying plan. For more information, see Note 2 to our consolidated financial statements in Item 8 of this report. We determine the fair value of our non-qualified stock option awards at the date of grant using the Black-Scholes Merton option-pricing model. We determine the fair value of our restricted stock awards and associate stock buying plan purchases using similar valuation techniques and the closing market price of our common stock. The fair value of our restricted stock units is based on the closing market price of our common stock.	Option-pricing models and generally accepted valuation techniques require management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the future volatility of our stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors. Changes in these assumptions can materially affect the fair value estimate.	We have not made any material changes in our methodology for determining fair value of stock options during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to determine share-based compensation expense. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to changes in share-based compensation expense that could be material. If actual results are not consistent with the assumptions used, the share-based compensation expense reported in our financial statements may not be representative of the actual economic cost of the share-based compensation. A 10% change in our assumptions, such as volatility or expected term, for share-based compensation expense for the fiscal year ended December, 28, 2013, would have affected net income by less than $0.1 million in the fiscal year then ended.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not undertake any specific actions to diminish our exposure to interest rate or currency rate risk, and we are not a party to any interest rate or currency rate risk management transactions. We do not purchase or hold any derivative financial instruments. We believe there has been no material change in our exposure to market risk from that discussed in our last annual report on Form 10-K.

At the end of the 2013, we had no outstanding long-term debt and as such would not be impacted by a change in interest rates. In the fourth quarter of 2012, we entered into a five-year, amended and restated loan and security agreement pursuant to which we have up to $120.0 million in borrowing capacity, There are various interest rate options available, for more information, see Note 5 to our consolidated financial statements in Item 8 of this report.

Our only significant risk exposure is from U.S. dollar to Canadian dollar exchange rate fluctuations. A 10% increase in the exchange rate of the U.S. dollar versus the Canadian dollar would have an effect of reducing our pre-tax income and cash flows by approximately $0.6 million over the next year.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have identified a material weakness related to the application of GAAP related to certain cash consideration received from vendors under our "Key Season Program." We offer our vendors the option of participating in our "Key Season Program," in which the participating vendor provides cash consideration to West Marine that is not directly connected to the purchase of product for resale, but is intended to offset certain advertising expenditures. The Key Season Program includes, but is not limited to, direct mail advertising (circulars, flyers, catalogs, and promotional literature), email advertising, wholesale (Port Supply) advertising, in-store product placement (endcaps and floorstacks), vendor-specific product training for our associates, and inclusion in regional marketing campaigns.

We did not design and maintain effective controls over the accuracy and presentation and disclosure for certain cash consideration received from vendors under the Key Season Program. Specifically, we did not design controls related to the application of GAAP for certain cash considerations received from vendors that resulted in the cash consideration being recorded as a reduction to selling, general and administrative expense instead of a reduction to merchandise inventories and cost of goods sold.

The material weakness resulted in an audit adjustment to merchandise inventories, cost of goods sold, and selling, general and administrative expense and a revision for each of the two years in the period ended December 29, 2012 and for each of the related interim condensed consolidated financial statements filed on Forms 10-Q for the years ended December 28, 2013 and December 29, 2012. Additionally, this material weakness could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Because of the material weakness described above, management has concluded that our internal control over financial reporting was not effective as of December 28, 2013. In making its assessment of the effectiveness of internal control over financial reporting, management used the criteria set forth in Internal Control—Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission.Our internal control over financial reporting as of December 28, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in this annual report on Form 10-K.

/S/ MATTHEW L. HYDE	/S/ THOMAS R. MORAN
Matthew L. Hyde	**Thomas R. Moran**
President and Chief Executive Officer **(principal executive officer)**	**Executive Vice President and Chief Financial Officer** **(principal financial officer)**
March 12, 2014	March 12, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
West Marine, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 28, 2013 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended present fairly, in all material respects, the financial position of West Marine, Inc. and its subsidiaries at December 28, 2013, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)2 for the year ended December 28, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the application of GAAP for certain cash considerations received from vendors existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in the accompanying Management's Report on Internal Control Over Financial Reporting. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2013 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

/s/ PRICEWATERHOUSECOOPERS LLP
San Francisco, California
March 12, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
West Marine, Inc.

We have audited the accompanying consolidated balance sheet of West Marine, Inc. (a Delaware corporation) and Subsidiaries (the "Company") as of December 29, 2012, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for the two years in the period ended December 29, 2012. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2) for the two years ended December 29, 2012. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Marine, Inc. and Subsidiaries as of December 29, 2012, and the results of their operations and their cash flows for the two years ended December 29, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule for the two years in the period ended December 29, 2012, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP
San Francisco, CA
March 7, 2013

WEST MARINE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 28, 2013 AND DECEMBER 29, 2012
(in thousands, except share data)

	Fiscal Year-End	
	2013	**2012**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,408	$ 56,542
Trade receivables, net of allowances of $243 in 2013 and $277 in 2012	6,441	6,723
Merchandise inventories	203,036	189,339
Deferred income taxes	5,012	4,622
Assets held for sale	—	4,283
Other current assets	19,360	18,038
Total current assets	282,257	279,547
Property and equipment, net	72,848	59,532
Long-term deferred income taxes	5,684	8,429
Other assets	3,454	3,471
TOTAL ASSETS	$ 364,243	$ 350,979
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,986	$ 21,075
Accrued expenses and other	37,291	40,722
Total current liabilities	59,277	61,797
Deferred rent and other	16,382	13,876
Total liabilities	75,659	75,673
Commitments and Contingencies - Note 7		
Stockholders' equity:		
Preferred stock, $.001 par value: 1,000,000 shares authorized; no shares outstanding	—	—
Common stock, $.001 par value: 50,000,000 shares authorized; 24,625,481 shares issued and 24,296,497 shares outstanding at December 28, 2013 and 23,777,030 shares issued and 23,746,140 shares outstanding at December 29, 2012	25	24
Treasury stock	(4,405)	(385)
Additional paid-in capital	202,622	193,388
Accumulated other comprehensive loss	(565)	(791)
Retained earnings	90,907	83,070
Total stockholders' equity	288,584	275,306
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 364,243	$ 350,979

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011
(in thousands, except per share data)

	2013	2012	2011
Net revenues	$ 663,174	$ 675,251	$ 643,443
Cost of goods sold	471,528	467,733	449,770
Gross profit	191,646	207,518	193,673
Selling, general and administrative expense	175,892	182,121	170,884
Restructuring costs (recoveries) (Note 3)	11	99	(50)
Impairment of long-lived assets (Note 1)	—	—	50
Income from operations	15,743	25,298	22,789
Interest expense	434	841	918
Income before income taxes	15,309	24,457	21,871
Provision (benefit) for income taxes	7,472	9,738	(10,882)
Net income	$ 7,837	$ 14,719	$ 32,753
Net income per common and common equivalent share:			
Basic	$ 0.32	$ 0.63	$ 1.44
Diluted	$ 0.32	$ 0.62	$ 1.41
Weighted-average common and common equivalent shares outstanding:			
Basic	24,259	23,312	22,762
Diluted	24,601	23,771	23,286

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011
(in thousands)

	2013	2012	2011
Net income	$ 7,837	$ 14,719	$ 32,753
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment, net of tax of $74, $0 and $0	226	(64)	22
Total comprehensive income	$ 8,063	$ 14,655	$ 32,775

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011
(in thousands, except share data)

	Common Shares Outstanding	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at January 1, 2011	22,625,193	$ 23	$ (385)	$ 181,891	$ 35,598	$ (749)	$ 216,378
Net income					32,753		32,753
Foreign currency translation adjustment, net of tax of $0						22	22
Common stock issued under equity compensation plan	282,813	—		3,733			3,733
Tax deficiency from equity issuance, including excess tax benefit of $347				(204)			(204)
Sale of common stock pursuant to Associates Stock Buying Plan	83,758			669			669
Balance at December 31, 2011	22,991,764	$ 23	$ (385)	$ 186,089	$ 68,351	$ (727)	$ 253,351
Net income					14,719		14,719
Foreign currency translation adjustment, net of tax of $0						(64)	(64)
Common stock issued under equity compensation plan	667,281	1		6,990			6,991
Tax deficiency from equity issuance, including excess tax benefit of $380				(389)			(389)
Sale of common stock pursuant to Associates Stock Buying Plan	87,095			698			698
Balance at December 29, 2012	23,746,140	$ 24	$ (385)	$ 193,388	$ 83,070	$ (791)	$ 275,306
Net income					7,837		7,837
Foreign currency translation adjustment, net of tax of $74						226	226
Common stock issued under equity compensation plan	765,809	1		7,646			7,647
Tax benefit from equity issuance, including excess tax benefit of $1,240				807			807
Treasury shares acquired	(298,094)		(4,020)				(4,020)
Sale of common stock pursuant to Associates Stock Buying Plan	82,642			781			781
Balance at December 28, 2013	24,296,497	$ 25	$ (4,405)	$ 202,622	$ 90,907	$ (565)	$ 288,584

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011
(in thousands)

	2013	2012	2011
OPERATING ACTIVITIES:			
Net income	$ 7,837	$ 14,719	$ 32,753
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,960	15,302	14,019
Impairment of long-lived assets	—	—	50
Share-based compensation	3,207	3,128	2,394
Excess tax benefit from share-based compensation	(1,240)	(380)	(347)
Deferred income taxes	3,466	4,614	(15,528)
Provision for doubtful accounts	81	223	54
Lower of cost or market inventory adjustments	1,499	925	1,154
Loss (gain) on asset disposals	172	103	(13)
Changes in assets and liabilities:			
Trade receivables	201	(1,175)	(220)
Merchandise inventories	(15,196)	(1,622)	7,076
Other current assets	(1,332)	(4,502)	3,268
Other assets	18	(164)	112
Accounts payable	1,108	(4,768)	(5,472)
Accrued expenses and other	(2,624)	(266)	(2,534)
Deferred items and other non-current liabilities	1,395	(96)	(26)
Net cash provided by operating activities	13,552	26,041	36,740
INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	4,372	122	64
Purchases of property and equipment	(28,553)	(17,953)	(17,221)
Net cash used in investing activities	(24,181)	(17,831)	(17,157)
FINANCING ACTIVITIES:			
Borrowings on line of credit	3,812	5,224	28,758
Repayments on line of credit	(3,812)	(5,224)	(28,758)
Payment of loan costs	—	(561)	—
Proceeds from exercise of stock options	4,440	3,863	1,339
Proceeds from sale of common stock pursuant to Associates Stock Buying Plan	781	698	669
Excess tax benefit from share-based compensation	1,240	380	347
Treasury stock	(4,020)	—	—
Net cash provided by financing activities	2,441	4,380	2,355
Effect of exchange rate changes on cash	54	(14)	9
NET INCREASE (DECREASE) IN CASH	(8,134)	12,576	21,947
CASH AT BEGINNING OF PERIOD	56,542	43,966	22,019
CASH AT END OF PERIOD	$ 48,408	$ 56,542	$ 43,966
Other cash flow information:			
Cash paid for interest	$ 293	$ 693	$ 645
Cash paid for income taxes, net of refunds of $37, $111 and $1,014	5,048	7,222	3,547
Non-cash investing activities			
Property and equipment additions in accounts payable	1,197	999	1,757
Unsettled share repurchases	447	—	—

See notes to consolidated financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS—West Marine Inc. and its consolidated subsidiaries ("West Marine" or the "Company," unless the context requires otherwise) is the largest waterlife outfitter in the United States. At December 28, 2013, West Marine offered its products through 287 stores in 38 states, Puerto Rico and Canada, through its call center channel and on the Internet. The Company is also engaged, through its wholesale channel in the wholesale distribution of marine equipment serving boat manufacturers, marine services, commercial vessel operations and government agencies.

West Marine was incorporated in Delaware in September 1993 as the holding company for West Marine Products, Inc., which was incorporated in California in 1976. The Company's principal executive offices are located in Watsonville, California.

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of West Marine, Inc. and its subsidiaries, all of which are wholly-owned, directly or indirectly. Intercompany balances and transactions are eliminated in consolidation.

YEAR-END—The Company's fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to December 31. Fiscal years 2013, 2012 and 2011 consisted of the 52 weeks ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. References to 2013, 2012 and 2011 are to the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

ACCOUNTING ESTIMATES—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the following: useful lives and recoverability of fixed assets; inventory obsolescence and shrinkage reserves; capitalized indirect inventory costs; allowance for doubtful accounts receivable; calculation of accrued liabilities, including workers' compensation and other self-insured liabilities; sabbatical liability, sales returns reserves, unredeemed gift cards and loyalty program awards; vendor consideration earned; fair value of share-based compensation instruments, income tax valuation allowances and uncertain tax positions; goodwill impairment; legal liabilities and other contingencies; and asset retirement obligations. Actual results could differ from those estimates.

INVENTORIES—Merchandise inventories are carried at the lower of cost or market on an average cost basis. Capitalized indirect costs include freight charges for transporting merchandise to warehouses or store locations and operating costs incurred for merchandising, replenishment and distribution activities. Indirect costs included in inventory value at the end of fiscal years 2013 and 2012 were $18.9 million and $18.7 million, respectively. Indirect costs included in inventory value are recognized as an increase in cost of goods sold as the related products are sold.

Inventories are written down to market value when cost exceeds market value, based on historical experience and current information. Reserves for estimated inventory shrinkage based on historical shrinkage rates determined by the Company's physical merchandise inventory counts and cycle counts were $2.4 million and $2.0 million at the end of fiscal years 2013 and 2012, respectively. Reserves for estimated inventory market value below cost, based upon current levels of aged and discontinued product and historical analysis of inventory sold below cost, were $3.0 million and $2.7 million at the end of fiscal years 2013 and 2012, respectively.

DEFERRED CATALOG AND ADVERTISING COSTS—The Company capitalizes the direct cost of producing and distributing its catalogs. Capitalized catalog costs are amortized, once a catalog is mailed, over the expected net sales period, which is generally from one month to 11 months. Advertising costs, which are included in selling, general and administrative ("SG&A") expense, are expensed as incurred and were $5.0 million, $6.4 million and $6.0 million in 2013, 2012 and 2011, respectively. The capitalized value of prepaid catalog and advertising costs on the Balance Sheet was immaterial as of December 28, 2013 and December 29, 2012, respectively.

PROPERTY AND EQUIPMENT—Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the various assets, as follows:

	Estimated Useful Lives
Furniture and equipment	3–7 years
Computer software and hardware	3–7 years
Buildings	25 years

Leasehold improvements are amortized over the lesser of the expected lease term or the estimated useful life of the improvement which is usually about 10 years.

ASSETS HELD FOR SALE—On September 28, 2012, the Company entered into an agreement to sell the land and building of its former Ft. Lauderdale store for a purchase price of $4.5 million. The location was vacated when the Company's new Ft. Lauderdale flagship store opened in November 2011. The sale closed in March 2013, and the loss on the sale recognized by the Company was de minimis.

CAPITALIZED INTEREST—The Company capitalizes interest on major capital projects. The Company did not capitalize interest in 2013 and 2012.

CAPITALIZED SOFTWARE COSTS—Capitalized computer software, included in property and equipment, reflects costs related to internally-developed or purchased software that are capitalized and amortized on a straight-line basis, generally over a period ranging from three to seven years.

INTANGIBLE ASSETS—The Company completes an impairment test annually or more frequently if evidence of possible impairment arises. No impairment was recognized in 2011, 2012 or 2013. Amortization expense for other intangible assets was not material in 2013 and less than $0.1 million in each of the years 2012 and 2011. Amortization expense in each of the next five years is not expected to be significant.

ASSET RETIREMENT OBLIGATIONS—The Company estimates the fair value of obligations to clean up and restore leased properties under agreements with landlords and records the amount as a liability when incurred. Liabilities for asset retirement obligations were $0.7 million as of December 28, 2013, $0.8 million as of December 29, 2012 and $0.8 million as of December 31, 2011. There were no significant changes attributable to the following components during the 2013, 2012 or 2011 reporting periods: liabilities incurred, liabilities settled, accretion expense, and revisions in estimated cash flows.

IMPAIRMENT OF LONG-LIVED ASSETS—The Company reviews long-lived assets, including intangible assets and property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated undiscounted future cash flows from the long-lived asset are less than the carrying value, a loss equal to the difference between carrying value and the fair market value of the asset is recorded. The Company recorded no asset impairment charges in both 2013 and 2012, and less than $0.1 million in 2011.

FACILITY CLOSING COSTS—The Company records an obligation for the present value of estimated costs that will not be recovered in the period a store, distribution center or other facility is closed. These costs include employment termination benefits, lease contract termination costs and the book value of abandoned property. For more information, see Note 3.

SELF-INSURANCE OR HIGH DEDUCTIBLE LOSSES—The Company uses a combination of insurance and self-insurance for a number of risk management activities including workers' compensation, general liability and employee-related health care benefits, a portion of which is paid by its associates. Liabilities associated with these risks are estimated primarily based on amounts determined by actuarial analysis, and accrued in part by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Any actuarial projection of losses is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns.

DEFERRED RENT—Certain of the Company's operating leases contain periods of free or reduced rent or contain predetermined fixed increases in the minimum rent amount during the lease term. For these leases, the Company recognizes rent expense on a straight-line basis over the expected life of the lease, generally about 10 years, including periods of free rent, and records the difference between the amount charged to rent expense and the rent paid as deferred rent. Tenant improvement allowances received from landlords are deferred and amortized to reduce rent expense over the expected life of the lease.

INCOME TAXES—Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between existing financial statement carrying amounts and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured at the tax rate expected to be in effect for the taxable years in which we expect those temporary differences to be recovered or settled. We recognize the effect of changes in tax rates on deferred tax assets and liabilities in the period that includes the enactment date of the change. A valuation allowance is recorded to reduce deferred tax assets to the amount estimated as more likely than not to be realized. The Company also accounts for uncertainties in income taxes recognized in its financial statements. For more information, see Note 8.

SALES AND USE TAX—Net revenues are recorded net of sales and use taxes. Net sales and use taxes are collected and remitted to all jurisdictions in which the Company has a physical presence in accordance with state, provincial and local tax laws.

FAIR VALUE OF FINANCIAL INSTRUMENTS—Fair value of financial instruments represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

The fair value hierarchy prescribed under accounting principles generally accepted in the United States ("GAAP") contains three levels, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. As of December 28, 2013, the entire $48.4 million of the Company's cash consisted of cash on hand and bank deposits and was classified within Level 1 because they were valued using quoted market prices. As of December 29, 2012, the entire $56.5 million of the Company's cash consisted of cash on hand and bank deposits and was classified within Level 1 because they were valued using quoted market prices.

REVENUE RECOGNITION—Sales, net of estimated returns, are recorded when merchandise is purchased by customers at store locations. Revenue is recognized when merchandise shipped from a warehouse is received by the customer, based upon the estimated date of receipt by the customer. The Company reserves for sales returns through estimates based on historical experience. The sales return reserve for fiscal years 2013, 2012, and 2011 was $(1.6) million, $(1.1) million and $(1.1) million, respectively.

ACCOUNTS RECEIVABLE—Accounts receivable consists of amounts owed to West Marine for sales of services or goods on credit for our wholesale customers. The Company maintains an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. The Company determines this allowance based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the economic risks for certain customers. The allowances for doubtful accounts receivable were as follows:

	2013	2012	2011
		(in thousands)	
Allowance for doubtful accounts receivable—beginning balance	$ (277)	$ (301)	$ (431)
Additions	(325)	(788)	(687)
Deductions and other adjustments	359	812	817
Allowance for doubtful accounts receivable—ending balance	$ (243)	$ (277)	$ (301)

The Company's policy for writing off uncollectible trade accounts receivables consists of systematic follow-up of delinquent accounts (over 90 days past the customer's terms of sale) and management review of accounts over a set dollar amount.

UNREDEEMED GIFT CARDS—Aggregate sales of gift cards for fiscal years 2013, 2012 and 2011 were $18.1 million, $18.7 million and $15.4 million, respectively. Sales of gift cards are deferred and treated as a liability on our balance sheet either until redeemed by customers in exchange for products or until we determine that future redemption of the card by the customer is remote, also called breakage. Breakage for unused gift cards is recognized using the redemption recognition method. Under this method, we estimate breakage based on Company-specific data by analyzing historical experience and deriving a rate that represents the amount of gift cards that are expected to be unused and not subject to escheatment. This rate is then applied, and breakage is recognized in income, over the period of redemption. Gift card breakage income for 2013, 2012 and 2011 was $0.8 million, $0.8 million and $0.6 million, respectively, and is included as net revenues in the Company's operating results.

WEST ADVANTAGE CUSTOMER LOYALTY PROGRAMS—The Company has a customer loyalty program which allows members to earn points on qualifying purchases. Points earned entitle members to receive certificates that may be redeemed on future purchases through any retail sales channel. A liability is recognized and recorded as a reduction of revenue at the time the points are earned, based on the retail value of certificates projected to be redeemed, less the applicable estimate of breakage based upon historical redemption patterns.

COST OF GOODS SOLD—Cost of goods sold includes costs related to the purchase, transportation and storage of merchandise, shipping expense and store occupancy costs. Consideration in the form of cash or credits received from vendors is recorded as a reduction to cost of goods sold as the related products are sold.

COMPREHENSIVE INCOME (LOSS)—Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes income, expenses, gains and losses that bypass the income statement and are reported directly as a separate component of equity. The Company's comprehensive income consists of net income and foreign currency translation adjustments for all periods presented.

FOREIGN CURRENCY—Translation adjustments result from translating foreign subsidiaries' financial statements into U.S. dollars. West Marine Canada's functional currency is the Canadian dollar. Balance sheet accounts are translated at exchange rates in effect at the balance sheet date. Income statement accounts are translated at average exchange rates during the year. Resulting translation adjustments are included as a component of other comprehensive income in the Consolidated Statements of Stockholders' Equity. Gains (losses) from foreign currency transactions included in selling, general and administrative ("SG&A") expense for 2013, 2012 and 2011 were $(0.6) million, $0.1 million and $(0.2) million, respectively.

ACCRUED EXPENSES—Accrued expenses consist of the following (in thousands):

	2013	2012
Accrued compensation and benefits	$ 7,251	$ 7,915
Accrued paid time off	4,125	4,269
Accrued bonus	7	4,705
Unredeemed gift cards	6,854	6,765
Other accrued expenses	19,054	17,068
Accrued expenses	$ 37,291	$ 40,722

NET INCOME PER SHARE—Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if unvested restricted shares and outstanding options to purchase common stock were exercised. Options to purchase approximately 0.2 million shares, 0.5 million shares and 2.2 million shares of common stock that were outstanding in 2013, 2012 and 2011, respectively, have been excluded from the calculation of diluted income per share because inclusion of such shares would be anti-dilutive.

The following is a reconciliation of the Company's basic and diluted net income per share computations (shares in thousands):

	2013		2012		2011	
	Shares	Net Income Per Share	Shares	Net Income Per Share	Shares	Net Income Per Share
Basic	24,259	$ 0.32	23,312	$ 0.63	22,762	$ 1.44
Effect of dilutive stock options	342	—	459	(0.01)	524	(0.03)
Diluted	24,601	$ 0.32	23,771	$ 0.62	23,286	$ 1.41

DERIVATIVE INSTRUMENTS—The Company did not purchase or hold any derivative financial instruments during the three years ended December 28, 2013.

CASH AND CASH EQUIVALENTS—Cash consists entirely of cash on hand and bank deposits, of which approximately $46.3 million exceeded FDIC insurance limits as of December 28, 2013. As of December 29, 2012, approximately $54.3 million exceeded FDIC insurance limits.

The Company classifies amounts in transit from banks for customer credit card and debit card transactions as cash and cash equivalents as the banks process the majority of these amounts within three to five business days. The amounts due from banks for these transactions classified as cash and cash equivalents totaled $2.8 million and $2.6 million at December 28 2013 and December 29, 2012, respectively

We had no outstanding checks in excess of funds on deposit (book overdrafts) at December 28, 2013 and December 29, 2012.

SABBATICAL LEAVE—Certain full-time associates are eligible to receive sabbatical leave after each 10 years of continuous employment. The estimated sabbatical liability is based on a number of factors, including actuarial assumptions and historical trends. In fiscal years 2013 and 2012, the Company had a recorded liability of $1.0 million and $1.0 million, respectively, as an estimate of accumulated sabbatical leave as of the respective balance sheet dates.

CORRECTION OF IMMATERIAL ERRORS—The Company previously reported vendor cash consideration for advertising and other selling expenses as a reduction to SG&A. During the fourth quarter of 2013, management determined that such vendor cash consideration was incorrectly included as a reduction of SG&A. It should have been classified as a reduction of inventory and ultimately as a reduction to cost of goods sold ("COGS") as the related inventory was sold, under the guidance in Accounting Standards Codification ("ASC") 605-50-45-15, *Revenue Recognition, Customer Payments and Incentives, Other Presentation Matters, Consideration Is Reimbursement of Costs Incurred by the Customer*. The correction of this misstatement increased the amount of the valuation allowance in fiscal 2010 which then impacted the reversal in fiscal 2011 by releasing a valuation allowance on the deferred tax asset ("DTA") for the additional book capitalized inventory costs associated with the vendor cash considerations which was recorded when the Company placed a full valuation allowance on its DTA's. The financial statements have also been revised to reflect the correction of certain other previously uncorrected immaterial prior period errors. The Company assessed the materiality of this misstatement on prior periods' financial statements in accordance with SEC's Staff Accounting Bulletin ("SAB") No. 99, *Materiality*, codified in ASC 250, ("ASC 250"), *Presentation of Financial Statements*, and concluded that the misstatement was not material to any prior annual or interim periods, but the cumulative adjustment necessary to correct the classification would be material to the year ended December 28, 2013. Accordingly, in accordance with ASC 250 (SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*), the financial statements as of December 29, 2012 and December 31, 2011 and the two years ended December 29, 2012, which are presented herein have been revised. The following are selected line items from our financial statements illustrating the affect of the correction thereon:

Consolidated Balance Sheet
(in thousands)

	2012		
	As Reported	Adjustment	As Revised
Assets			
Merchandise inventories	$ 194,332	$ (4,993)	$ 189,339
Other current assets	16,371	1,667	18,038
Total current assets	282,873	(3,326)	279,547
Long-term deferred income taxes	8,392	37	8,429
Total assets	354,268	(3,289)	350,979
Liabilities			
Accrued expenses and other	40,928	(206)	40,722
Total current liabilities	62,002	(205)	61,797
Deferred rent and other	13,858	18	13,876
Total liabilities	75,860	(187)	75,673
Stockholders' Equity			
Retained earnings	86,172	(3,102)	83,070
Total stockholders' equity	278,408	(3,102)	275,306
Total liabilities and stockholders' equity	354,268	(3,289)	350,979

Consolidated Statement of Income
(in thousands)

	2012			2011		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Cost of goods sold	$ 477,145	$ (9,412)	$ 467,733	$ 458,444	$ (8,674)	$ 449,770
Gross profit	198,106	9,412	207,518	184,999	8,674	193,673
Selling, general and administrative expense	172,837	9,284	182,121	162,860	8,024	170,884
Income from operations	25,170	128	25,298	22,139	650	22,789
Income before income taxes	24,329	128	24,457	21,221	650	21,871
Provision (benefit) for income taxes	8,800	938	9,738	(8,441)	(2,441)	(10,882)
Net income	15,529	(810)	14,719	29,662	3,091	32,753
Net income per common and common equivalent share:						
Basic	$ 0.67	$ (0.04)	$ 0.63	$ 1.30	$ 0.14	$ 1.44
Diluted	0.65	(0.03)	0.62	1.27	0.14	1.41

Consolidated Statement of Comprehensive Income
(in thousands)

	2012			2011		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Net income	$ 15,529	$ (810)	$ 14,719	$ 29,662	$ 3,091	$ 32,753
Total comprehensive income	15,465	(810)	14,655	29,684	3,091	32,775

Consolidated Statement of Stockholders' Equity
(in thousands)

	Retained Earnings			Total Stockholders' Equity		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Balance at January 1, 2011	$ 40,981	$ (5,383)	$ 35,598	$ 221,761	$ (5,383)	$ 216,378
Net income	29,662	3,091	32,753	29,662	3,091	32,753
Balance at December 31, 2011	70,643	(2,292)	68,351	255,643	(2,292)	253,351
Net income	15,529	(810)	14,719	15,529	(810)	14,719
Balance at December 29, 2012	86,172	(3,102)	83,070	278,408	(3,102)	275,306

Consolidated Statement of Cash Flows
(in thousands)

	2012			2011		
	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Net income	$ 15,529	$ (810)	$ 14,719	$ 29,662	$ 3,091	$ 32,753
Depreciation and amortization	15,301	1	15,302	14,314	(295)	14,019
Deferred income taxes	1,588	3,026	4,614	(12,745)	(2,783)	(15,528)
Changes in assets and liabilities:						
Merchandise inventories	(1,882)	260	(1,622)	7,059	17	7,076
Other current assets	(2,578)	(1,924)	(4,502)	2,946	322	3,268
Accounts payable	(4,769)	1	(4,768)	(4,610)	(862)	(5,472)
Accrued expenses and other	(60)	(206)	(266)			
Deferred items and other non-current liabilities	252	(348)	(96)	(47)	21	(26)
Net cash provided by operating activities				37,229	(489)	36,740
Purchases of property and equipment				(17,710)	489	(17,221)
Net cash used in investing activities				(17,646)	489	(17,157)

NOTE 2: SHARE-BASED COMPENSATION

West Marine's Omnibus Equity Incentive Plan, as amended (the "Plan") is intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of associates and non-employee directors. The Plan permits a variety of compensation methods, including non-qualified stock options, incentive stock options, restricted stock, and other share-based awards, such as time-based and performance-based restricted stock units. Key associates and non-employee directors are eligible to participate under the Plan, with the exception of Randolph K. Repass, Chairman of the Company's Board of Directors and a significant, but not controlling, stockholder. At year-end 2013, 10,300,000 shares of common stock had been reserved under the Plan and 1,641,531 shares were available for future issuance.

The Company recognizes compensation expense for share-based payments based on the grant date fair value of the awards. Share-based payments consist of stock option grants, restricted share awards, restricted stock units, performance-based restricted stock units and Associates Stock Buying Plan ("Buying Plan") issuances, each as described further below.

Share-based compensation expense for 2013, 2012 and 2011 was approximately $3.2 million, $3.1 million and $2.4 million, respectively, of which expense for stock options was $1.5 million, $1.9 million and $1.8 million in 2013, 2012 and 2011, respectively. In 2013, the Company recognized $0.8 million in tax benefits from stock options exercised, restricted stock vested and disqualifying Buying Plan transactions, of which $1.2 million was recognized as excess tax benefits in additional paid-in capital and $1.2 million was recognized as cash flow from financing activities. In 2012, the Company recognized $0.4 million in tax benefits from stock options exercised, restricted stock vested and disqualifying Buying Plan transactions, of which $0.4 million was recognized as excess tax benefits in additional paid-in capital and $0.4 million was recognized as cash flow from financing activities. In 2011, the Company recognized $0.2 million in tax benefits from stock options exercised, restricted stock vested and disqualifying Buying Plan transactions, of which $0.3 million was recognized as excess tax benefits in additional paid-in capital and $0.3 million was recognized as cash flow from financing activities. The tax benefit was included in the Company's consolidated statement of operations for the same period. Share-based compensation of $0.6 million was included in capitalized indirect inventory in 2013, $0.5 million in 2012 and $0.4 million in 2011.

Included in cost of goods sold and SG&A expense is share-based compensation expense, net of estimated forfeitures, that have been included in the statements of operations for all share-based compensation arrangements as follows:

(in thousands)	2013	2012	2011
Cost of goods sold	$ 609	$ 542	$ 409
Selling, general and administrative expense	2,598	2,586	1,985
Share-based compensation expense	$ 3,207	$ 3,128	$ 2,394

Stock Options

West Marine awards options to purchase shares of common stock to its non-employee directors and to certain eligible associates employed at the time of the grant. For fiscal 2007 through 2010, options granted to associates under the Plan vested over three years and expire five years following the grant date. Grants in 2006 vested over four years and generally expired five years from the grant date. Grants in 2011, 2012 and 2013 vest over three years and expire seven years from the grant date. Prior to 2011, options granted to non-employee directors vested after six months and expire five years from the grant date. Options granted to non-employee directors in 2012 vest after one year and expire seven years from the grant date. Options granted to non-employee directors in 2011 vested after six months and expire seven years from the grant date. Effective 2014, the Company stopped awarding option grants to certain eligible associates and non-employee directors as a method of compensation. The Company has determined the fair value of options awarded by applying the Black-Scholes Merton option pricing valuation model and using following assumptions:

	2013	2012	2011
Expected price volatility	41%	49%	49%
Risk-free interest rate	0.6% - 0.9%	0.5% - 0.6%	1.4%
Weighted-average expected term (years)	4.5	4.5	4.5
Dividend yield	—	—	—

Expected price volatility: This is the percentage amount by which the price of West Marine common stock is expected to fluctuate annually during the estimated expected life for stock options. Expected price volatility is calculated using historical monthly closing prices over a period matching the weighted-average expected term, as management believes such changes are the best indicator of future volatility. An increase in expected price volatility would increase compensation expense.

Share issuance: The Company's policy is to issue new shares of common stock for purchase under the Plan. Shares of common stock are authorized by the Company's Board of Directors, subject to stockholder approval, for issuance under the Plan. Subject to adjustment, the maximum number of shares currently available for grant under the Plan may not exceed 10,300,000 shares.

Risk-free interest rate: This is the U.S. Treasury zero-coupon rate, as of the grant date, for issues having a term equal to the expected life of the stock option. An increase in the risk-free interest rate would increase compensation expense.

Expected term: This is the period of time over which stock options are expected to remain outstanding. The Company calculates expected term based on the average of the vesting period and the full contractual term. An increase in the expected term would increase compensation expense.

Dividend yield: The Company historically has not made any dividend payments nor does it expect to pay dividends in the foreseeable future. An increase in the dividend yield would decrease compensation expense.

A summary of the Company's stock option activity in 2013, 2012 and 2011 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Option Grant Date Fair Value
Outstanding at year-end 2010 (2,238,084 stock options exercisable at a weighted-average exercise price of $12.85)	3,751,801	10.93	5.08
Granted	452,887	10.36	4.27
Exercised	(270,721)	4.95	1.77
Forfeited	(96,340)	8.56	3.18
Expired	(303,087)	13.71	5.57
Outstanding at year-end 2011 (2,492,684 stock options exercisable at a weighted-average exercise price of $11.72)	3,534,540	11.14	5.24
Granted	361,636	10.69	4.28
Exercised	(642,246)	6.07	2.04
Forfeited	(35,256)	10.01	3.91
Expired	(701,943)	15.92	7.84
Outstanding at year-end 2012 (1,678,468 stock options exercisable at a weighted-average exercise price of $11.25)	2,516,731	11.05	5.21
Granted	208,834	11.70	4.08
Exercised	(649,305)	6.79	2.48
Forfeited	(61,763)	10.75	4.15
Expired	(314,611)	14.52	9.19
Outstanding at year-end 2013 (1,179,770 stock options exercisable at a weighted-average exercise price of $12.63)	1,699,886	12.13	5.43

The weighted-average grant date fair value of options granted in 2013, 2012 and 2011 was $4.08, $4.28 and $4.27 per share, respectively. The aggregate fair value of options vested during 2013, 2012 and 2011 was $3.9 million, $3.3 million and $4.2 million, respectively.

As of market close December 28, 2013, the aggregate intrinsic value for stock options outstanding was $5.9 million, and $4.3 million for exercisable options. The total intrinsic value of options actually exercised was $3.4 million in 2013, $3.0 million in 2012 and $1.3 million in 2011. In 2013, the weighted-average grant date fair value of options granted was $4.08 per share. There were 933,428 options that vested in 2013 with an aggregate grant date fair value of $3.9 million. At December 28, 2013, unrecognized compensation expense for stock options, net of expected forfeitures, was $1.5 million, with a weighted-average remaining expense recognition period of 1.7 years.

Additional information for options outstanding at year-end 2013 is as follows:

	Outstanding Options			Exercisable Options		
Range of Exercise Prices	Shares Underlying	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price	Exercisable Shares	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price
$ 0 – $ 7.00	187,422	0.4	$ 5.80	187,422	0.4	$ 5.80
7.01 – 10.75	554,731	4.8	10.31	290,145	4.6	10.33
10.76 – 15.54	784,423	3.2	11.26	528,893	1.7	11.04
15.55 – 22.00	10,000	1.3	17.36	10,000	1.3	17.36
22.01 – 29.70	163,310	0.2	29.47	163,310	0.2	29.47
$ 0 – 29.70	1,699,886	3.1	$ 12.13	1,179,770	2.0	$ 12.63

At December 28, 2013, there were 1,318,426 stock options expected to vest in the future, with an intrinsic value of $4.4 million, a weighted-average exercise price of $10.79 per share and a weighted-average remaining contractual term of 0.7 years.

Restricted Share Awards

The Plan also provides for awards of shares to eligible associates and non-employee directors that are subject to restrictions on transfer for a period of time ("restricted shares"). Vesting of restricted shares for eligible associates and non-employee directors is subject to continuing service to West Marine. Restricted shares granted to non-employee directors in 2011 vest 100% one year after the grant date. No restricted shares were awarded in 2012 and 2013. There was no compensation expense for restricted share awards in 2013. There was no unrecognized compensation expense for unvested restricted share awards, net of expected forfeitures, in 2013. A summary of restricted share activity in 2013, 2012 and 2011 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at year-end 2010 (weighted-average remaining vesting period of 0.5 years)	7,303	10.60
Granted	13,347	9.95
Vested	(7,303)	10.60
Forfeited	—	
Unvested at year-end 2011 (weighted-average remaining vesting period of 0.5 years)	13,347	9.95
Granted	—	—
Vested	(13,347)	9.95
Forfeited	—	
Unvested at year-end 2012	—	—
Granted	—	
Vested	—	—
Forfeited	—	
Unvested at year-end 2013	—	—

The weighted-average grant date fair value of restricted shares granted in 2011 was $9.95 per share. There were no restricted shares granted in 2012 and 2013. The total fair value of restricted shares vested in 2012 and 2011 was $0.1 million and $0.1 million, respectively.

Restricted Stock Units

The Plan also allows for awards of restricted stock units ("RSU's") to eligible associates and non-employee directors that are subject to the recipient's continuing service to the Company. RSU's granted to eligible associates in 2013, 2012 and 2011 vest over a three-year period at the rate of 33%, 33% and 34% on the anniversary of the grant date. RSU's granted to eligible non-employee directors in 2012 and 2013 vest the earlier of either the one-year anniversary of the grant date or annual meeting stockholder's meeting date. Compensation expense for RSU's was $1.5 million in 2013. Unrecognized compensation expense for unvested RSU's, net of expected forfeitures, was $2.9 million in 2013 and we expect to recognize this expense within less than two years.. A summary of RSU activity in 2013, 2012 and 2011 is as follows:

	Number of RSU's	Weighted Average Grant Date Fair Value
Unvested at year-end 2010	—	
Granted	134,544	10.36
Vested	—	
Forfeited	(1,406)	10.36
Unvested at year-end 2011 (weighted-average remaining vesting period of 2.4 years)	133,138	10.36
Granted	188,001	10.56
Vested	(44,052)	
Forfeited	(2,236)	10.34
Unvested at year-end 2012 (weighted-average remaining vesting period of 2.0 years)	274,851	10.50
Granted	228,488	11.76
Vested	(116,504)	
Forfeited	(40,451)	11.02
Unvested at year-end 2013 (weighted-average remaining vesting period of 1.8 years)	346,384	11.31

The total fair value of RSUs vested in 2013 and 2012 was \$1.2 million and \$0.5 million, respectively. Effective March 1, 2014, the Company began awarding performance-based restricted stock units to certain eligible associates and non-employee directors as a method of compensation.

Associates Stock Buying Plan

The Company has a Buying Plan under which all eligible associates may elect to participate on semiannual grant dates. Participating associates purchase West Marine shares at 85% of the lower of the closing price on (a) the grant date or (b) the purchase date. The Buying Plan includes a twelve calendar month holding period for all purchases beginning on the date on which shares are purchased by participants under the Buying Plan. The number of shares purchased under the Buying Plan in 2013, 2012 and 2011 were 82,643, 87,095 and 83,758, respectively. Expense recognized in each of the years 2013 and 2012 was \$0.2 million. Expense recognized in 2011 was \$0.3 million. Shares available for future issuance under the Buying Plan at the end of 2013, 2012 and 2011 were 422,100, 504,743 and 591,838, respectively. Assumptions used in determining the fair value of shares issued under the Buying Plan during 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Expected price volatility	22%-28%	39%-49%	36%-67%
Risk-free interest rate	0.1%	0.1%-0.2%	0.1%
Weighted-average expected term (years)	0.5	0.5	0.5
Dividend yield	—	—	—

Manager Share Appreciation Plan

During 2012, West Marine introduced and awarded a new form of compensation, the Manager Share Appreciation Plan (“MSAP”). This award is a long-term cash incentive intended to both motivate and reward certain West Marine Associates. The MSAP award is a cash incentive which is tied to appreciation in West Marine's stock price. The appreciation on MSAP awards is capped. The plan is a cash-settled plan and earned by associates over a number of years; therefore, it is within the scope of ASC 718, *Compensation - Stock Compensation* because the amount earned by the associates is based on the price of the Company's stock. Additionally, since the award is settled in cash, the fair value of the award is recorded as a liability, rather than equity. As such, the Company re-measures the awards at fair value each reporting period until the award is settled. The awards vest 33%, 33% and 34% over a three-year period.

Fair value was determined using a Monte Carlo simulation model. A Monte Carlo simulation is a generally accepted statistical technique used, in this instance, to simulate a range of possible future stock prices for West Marine. These stock prices are used to determine the fair values of the awards that have been granted. The Company is using the forfeiture rate of its non-qualified stock options, since the Company does not have sufficient history of the MSAP awards. The Company believes this is a reasonable interim assumption until the Company has sufficient forfeiture history on these awards. The fair value of the award at December 28, 2013 and December 29, 2012 was \$2.59 and \$2.04 per award, respectively. Assumptions used in determining the fair value of the MSAP awards during 2013 and 2012 were as follows:

	2013	2012
Expected price volatility	34%	45%
Risk-free interest rate	1.4%	0.6%
Weighted-average expected term (years)	4.2	4.2
Dividend yield	—	—

A summary of the MSAP award activity in 2013 and 2012 is as follows:

	Number of MSAP's
Unvested at year-end 2011	—
Granted	162,125
Vested	—
Forfeited	(13,375)
Unvested at year-end 2012	148,750
Granted	163,125
Vested	(43,230)
Forfeited	(30,875)
Unvested at year-end 2013	237,770

The MSAP compensation expense recorded for 2013 was $0.1 million and the corresponding liability at December 28, 2013 was $0.1 million. The MSAP compensation expense recorded for 2012 was $0.1 million and the corresponding liability at December 29, 2012 was also $0.1 million.

NOTE 3: RESTRUCTURING COSTS

Restructuring charges include severance costs, lease termination fees, legal and professional fees paid for lease termination negotiations, and other costs associated with the closure of facilities that are part of formal restructuring plans. Severance benefits are detailed in approved severance plans, which are specific as to number, position, location and timing. In addition, severance benefits are communicated in specific detail to affected employees and are unlikely to change when costs are recorded. Costs are recognized over the period services are rendered, otherwise they are recognized when they are communicated to the employees. Other associated costs, such as legal and professional fees, are expensed as incurred. Accrued liabilities related to costs associated with restructuring activities outstanding as of December 28, 2013 were $0.7 million. Restructuring charges are expected to be fully paid by April 2019, and the cumulative amount incurred through December 28, 2013 is $20.2 million. The restructuring charges are reflected on the consolidated statement of income on the restructuring costs (recoveries) line. There was no change to the total obligation for the periods presented.

Costs and obligations (included in “Accrued liabilities” in the Company’s consolidated balance sheets) recorded in 2013, 2012 and 2011 in conjunction with the restructuring costs are as follows (in thousands):

	Termination Benefits and Other Costs	Store Lease Termination Costs	Total
Ending balance, January 1, 2011	$ 293	$ 1,949	$ 2,242
Charges (reduction in charges)	19	(69)	(50)
Payments	(152)	(976)	(1,128)
Ending balance, December 31, 2011	$ 160	$ 904	$ 1,064
Charges	8	91	99
Payments	(10)	(303)	(313)
Ending balance, December 29, 2012	$ 158	$ 692	$ 850
Charges (reduction in charges)	(1)	12	11
Reclassification	(156)	156	—
Payments	(1)	(181)	(182)
Ending balance, December 28, 2013	$ —	$ 679	$ 679

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at fiscal year-end 2013 and 2012 (in thousands):

	At Year-End	
	2013	2012
Furniture and equipment	$ 72,679	$ 68,238
Computer software and hardware	87,484	75,502
Leasehold improvements	74,572	70,462
Land and building	600	600
Property and equipment, at cost	235,335	214,802
Accumulated depreciation and amortization	(162,487)	(155,270)
Property and equipment, net	$ 72,848	$ 59,532

Depreciation and amortization expense for property and equipment was $15.0 million, $15.3 million and $14.0 million in 2013, 2012 and 2011, respectively.

NOTE 5: LINES OF CREDIT AND LONG–TERM DEBT

The Company's loan and security agreement, as amended, with Wells Fargo Bank, National Association and the other lenders party thereto provides a maximum available borrowing capacity of $120.0 million. In addition, at the Company's option and subject to certain conditions, the Company may increase its borrowing capacity up to an additional $25.0 million. All other material terms of the amended and restated loan and security agreement remained unchanged. The amount available to be borrowed is based on a percentage of certain of the Company's inventory (excluding capitalized indirect costs) and accounts receivable.

The revolving credit facility is guaranteed by West Marine, Inc. and West Marine Canada Corp. (an indirect subsidiary of West Marine, Inc.) and secured by a security interest in all of the Company's accounts receivable and inventory, certain other related assets, and all proceeds thereof. The revolving credit facility is available for general working capital and general corporate purposes.

At the Company’s election, borrowings under the revolving credit facility will bear interest at one of the following options:

1. The prime rate, which is defined in the loan agreement as the highest of:
    a. Federal funds rate, as in effect from time to time, plus one-half of one percent;
    b. LIBOR rate for a one-month interest period plus one percent; or
    c. The rate of interest in effect for such day as publicly announced from time to time by Wells Fargo as its “prime rate;” or
2. The LIBOR rate quoted by the British Bankers Association for the applicable interest period.

In each case, the applicable interest rate is increased by a margin imposed by the loan agreement. The applicable margin for any date will depend upon the amount of available credit under the revolving credit facility. The margin range for option (1) above is between 0.5% to 1.0% and for option (2) above is between 1.5% and 2.0%.

The loan agreement also imposes a fee on the unused portion of the revolving credit facility available. For 2013, 2012 and 2011, the weighted-average interest rate on all of our outstanding borrowings was 3.8%, 4.7% and 3.1%, respectively.

Although the loan agreement contains customary covenants, including, but not limited to, restrictions on the Company’s ability to incur liens, make acquisitions and investments, pay dividends and sell or transfer assets, it does not contain debt or other similar financial covenants, such as maintaining certain specific leverage, debt service or interest coverage ratios. Instead, the loan is asset-based (which means the Company’s lenders maintain a security interest in the Company’s inventory and accounts receivable which serve as collateral for the loan), and the amount the Company may borrow under its revolving credit facility at any given time is determined by the estimated value of these assets as determined by the lenders’ appraisers. Additionally, the Company must maintain minimum revolving credit availability equal to the greater of $7 million or 10% of the borrowing base. In addition, there are customary events of default under our loan agreement, including failure to comply with our covenants. If we fail to comply with any of the covenants contained in the loan agreement, an event of default occurs which, if not waived by our lenders or cured within the applicable time periods, results in the lenders having the right to accelerate repayment of all outstanding indebtedness under the loan agreement before the stated maturity date and the revolving credit facility could be terminated. As of December 28, 2013, the Company was in compliance with the covenants under this loan agreement.

At the end of fiscal year 2013, there were no amounts outstanding under this revolving credit facility, $98.8 million was available for future borrowings, and there was $0.8 million in unamortized loan costs. At the end of fiscal year 2012, there were no amounts outstanding under this revolving credit facility, $91.7 million was available for future borrowings, and there was $1.0 million in unamortized loan costs. At the end of fiscal years 2013 and 2012, the Company had $4.6 million and $5.1 million of outstanding commercial and stand-by letters of credit, respectively.

NOTE 6: RELATED PARTY TRANSACTIONS

During 2013, West Marine did not enter into any new related party transactions. In addition, the Company terminated one related party lease during 2012 and another one during 2011, as further described below.

Randolph K. Repass, West Marine's founder and Chairman of the Board, is a general partner of three partnerships in which he, together with certain members of his family, owns substantially all of the partnership interests.

West Marine has leased its store in Santa Cruz, California, its store in Braintree, Massachusetts, and its support center in Watsonville, California since 1982, 1996 and 1988, respectively. Negotiations for these transactions were conducted at arms' length using independent representatives for each party at the time these leases were entered into. Although these leases have been in place for a number of years, the Company's Audit and Finance Committee nonetheless reviews these transactions annually to determine if they remain in the best interest of the Company. In this regard, the Committee considered that Messrs. Repass and Eisenberg entered into a re-negotiation of the rental terms for the support center during 2009, prior to the expiration of the lease term. Although under no compulsion to do so, Mr. Repass acknowledged the soft real estate market conditions at the time and agreed to a rent reduction. Additionally, in July 2011, a lease amendment was signed which reduced the amount of Watsonville support center storage space leased to the Company and which extended the storage space lease from November 2011 to October 2016 to be coterminous with the support center lease. Due to the lease amendment, the Company's related contractual obligation decreased by immaterial amounts for fiscal years 2011 through 2016.

From February 2002 through March 2011, West Marine leased its store in Palo Alto, California from a trust, for which Randolph K. Repass is the trustee. The trust sold the property on March 18, 2011, and the Company terminated its lease effective as of that date. West Marine leased its store in New Bedford, Massachusetts from a corporation of which Mr. Repass' brother is the President and his father is a member of the board of directors and a major stockholder. The New Bedford lease expired in February 2012, and the Company terminated the lease in May 2012. The Company opened a new store in the neighboring area which is leased from a party unrelated to West Marine.

The lease for the Company support center is West Marine's most significant related party transaction. West Marine made payments to the above-related parties during fiscal years 2013, 2012 and 2011 in the aggregate amount of approximately $1.9 million, $1.8 million and $1.8 million, respectively.

Related party transactions, including related party lease renewals, are pre-approved by West Marine's Board of Directors acting through the Audit and Finance Committee. The Audit and Finance Committee reviews and determines that the related party transaction is in the best interest of the Company and its shareholders. As of December 28, 2013, there were no amounts due to related parties.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment, and space for its retail stores, its distribution centers and its support center. The Company also sublets space at various locations with both month-to-month and non-cancelable sublease agreements. The operating leases of certain stores provide for periodic rent adjustments based on store revenues, the consumer price index and contractual rent increases.

The aggregate minimum annual contractual payments under non-cancelable leases, reduced for sublease income, in effect at fiscal year-end 2013 were as follows (in thousands):

2014	$	48,902
2015		45,529
2016		39,541
2017		32,927
2018		25,259
Thereafter		99,705
Minimum non-cancelable lease payments, net	$	291,863

No assets of the Company were subject to capital leases at fiscal year-end 2013, 2012 and 2011. All but a limited number of the Company's purchase commitments, which are not material, are cancelable without payment and, therefore, have been excluded from the table above.

Following is a summary of rent expense by component (in thousands):

	2013	2012	2011
Minimum rent	$ 50,218	$ 48,131	$ 46,578
Percent rent	63	91	88
Sublease income	(21)	(23)	(43)
Rent paid to related parties	1,561	1,593	1,550
Total rent expense	$ 51,821	$ 49,792	$ 48,173

The Company is party to various legal and administrative proceedings, claims, product recalls, litigation and regulatory compliance audits arising from normal business activities. Additionally, many of these proceedings and audits raise complex factual and legal issues and are subject to uncertainties. The Company cannot predict with assurance the outcome of these matters. Accordingly, material adverse developments, settlements, or resolutions may occur and negatively impact results in the quarter and/or fiscal year in which such developments, settlements or resolutions are reached.

Based on the facts currently available, the Company does not believe that the disposition of matters that are pending or asserted, individually or in the aggregate, will have a material adverse effect on future financial results. However, changes in current facts or circumstances and/or an adverse judgment by a court, administrative or regulatory agency, arbitrator or a settlement could adversely impact the Company's results of operations in any given period.

For any claims, legal or administrative proceedings where the Company has determined that a loss is probable, there is no material difference between the amount accrued and the reasonably possible amount of loss. For any such matters where a loss is reasonably possible, the range of estimated loss is not material, individually and in the aggregate.

The Company is subject to various routine and non-routine reviews, audits and investigations by various federal and state governmental regulators, including customs, environmental and tax authorities in the jurisdictions where it conducts business, which may result in assessments of additional duties, taxes, penalties, interest or the revision and recoupment of past payments made based on audit findings. In addition, certain third-party service suppliers have rights under their contracts with the Company to review and audit its use of their products, and an unfavorable audit could result in an adverse and possibly material claim for payment. The Company accrues a liability for this type of contingency when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company believes it has adequately provided for obligations that would result from these legal and sales and use tax proceedings where it is probable it will pay some amounts and the amounts can be estimated; in some cases, however, it is too early to predict a final outcome. The Company is currently under audit for sales taxes in several jurisdictions. The tax periods open to examination by the major taxing jurisdictions for sales and use taxes are fiscal 2008 through fiscal 2013. Management believes that the ultimate resolution of these matters will not have a material effect on the Company's future financial condition or results of operations. At December 29, 2012, accrued liabilities included a loss contingency accrual of $0.7 million related to a recently-finalized trademark settlement. At December 28, 2013, accrued liabilities included a loss contingency accrual of less than $0.1 million related to various minor items.

NOTE 8: INCOME TAXES

Earnings from continuing operations before income tax expense was as follows for fiscal years 2013, 2012 and 2011:

	2013	2012	2011
United States	$ 14,144	$ 22,870	$ 21,080
Outside the United States	1,165	1,587	791
Earnings from continuing operations before income tax expense	$ 15,309	$ 24,457	$ 21,871

Following is a summary of the (benefit) provision for income taxes (in thousands):

	2013	2012	2011
Current:			
Federal	$ 3,536	$ 5,324	$ 4,419
State	195	473	914
Foreign	412	79	(136)
Current taxes (benefit)	4,143	5,876	5,197
Deferred:			
Federal	194	3,202	(5,505)
State	2,937	197	(8,036)
Foreign	198	463	(2,538)
Deferred taxes (benefit)	3,329	3,862	(16,079)
Income tax (benefit) expense	$ 7,472	$ 9,738	$ (10,882)

Following is a summary of the difference between the effective income tax rate and the statutory federal income tax rate:

	2013	2012	2011
Statutory federal tax rate	35.0%	35.0%	35.0 %
State income taxes, net of federal tax benefit	4.4	1.9	2.9
Non-deductible permanent items	(0.3)	1.6	0.7
Change in valuation allowance	9.3	—	(84.2)
Uncertain tax positions	(0.5)	(0.1)	(4.5)
Impact of foreign operations	2.6	1.2	1.3
Other	(1.7)	0.2	(1.0)
Effective tax rate	48.8%	39.8%	(49.8)%

Deferred tax assets and liabilities are recognized for the differences between the bases of the related assets and liabilities for financial reporting and income tax purposes, and are calculated using enacted tax rates in effect for the year the differences are expected to reverse. Following is a summary of the tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities (in thousands):

	2013	2012
Assets:		
Accrued payroll and benefits	$ 6,523	$ 7,089
Capitalized inventory costs	145	149
Accrued expenses	3,092	3,152
Intangible assets	2,686	3,391
Net operating losses and tax credits	7,107	8,005
Deferred rent	4,385	3,753
Other	2,440	2,185
Total deferred income tax assets	26,378	27,724
Valuation allowance	(3,884)	(1,692)
Deferred income taxes, net of valuation allowance	22,494	26,032
Liabilities:		
Prepaid expenses	(1,999)	(1,721)
Property and equipment	(8,018)	(6,604)
Federal effect of state and foreign deferred items	(2,398)	(3,376)
Other liabilities	(961)	(1,747)
Total deferred tax liabilities	(13,376)	(13,448)
Net deferred income tax assets	$ 9,118	$ 12,584

Net deferred tax assets included in the accompanying consolidated balance sheet are as follows (in thousands):

	2013	2012
Current deferred income tax assets	$ 5,012	$ 4,622
Non-current deferred income tax assets	5,684	8,429
Non-current deferred income tax liabilities	(1,578)	(467)
Net deferred tax assets	$ 9,118	$ 12,584

At year-end 2013, the Company had no federal income tax net loss carryforwards and $13.5 million of state income tax net loss carryforwards that expire between 2020 and 2029. The Company also had foreign net loss carryforwards of $1.9 million that expire in 2029. In addition, the Company had California state enterprise zone credits of $4.2 million available for use in the tax years 2014 through 2024, and South Carolina tax credits of $1.3 million, which are available for use for tax years 2014 through 2017. These carryforwards are available to offset future taxable income.

A valuation allowance must be provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized, based upon consideration of all positive and negative evidence. Sources of evidence include, among other things, a history of pretax earnings or losses, expectations of future results, tax planning opportunities, and appropriate tax law.

Since the Company has a significant net operating loss carryforward in South Carolina, realization of a benefit from state tax credits is not more likely than not. Therefore a full valuation allowance in the amount of $1.3 million remains in place until such time as the Company determines it is able to either benefit from the credits or they expire.

The first of these tax credits expired in 2013; they will continue to expire through 2017. In 2013, the Company wrote off $0.4 million of expired tax credits which was offset by a release of valuation allowance.

During the third quarter of 2013, the Governor of California signed legislation which significantly changed the California Enterprise Zones ("CA EZ"), effective for tax years beginning on or after January 1, 2014. Under prior law, CA EZ credits had no expiration date; under the newly-enacted law, credits expire after 10 years. The Company currently has a $4.2 million deferred tax asset for California tax credits, net of unrecognized tax benefit. In evaluating the impact of the new tax law, the Company determined that it is more likely than not that the Company will not be able to realize the tax benefit for a portion of the CA EZ credits. Therefore, a valuation allowance was recorded against these credits in the gross amount of $2.6 million.

The net valuation allowance adjustments increased the Company's effective tax rate by 9.3% for the year ended December 28, 2013.

Following is a summary of the change in valuation allowance (in thousands):

	2013	2012	2011
Valuation allowance—beginning of year	$ 1,692	$ 1,692	$ 19,614
Valuation allowance increases (reductions)	2,192	—	(17,922)
Valuation allowance—end of year	$ 3,884	$ 1,692	$ 1,692

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various states and cities, and Puerto Rico and Canada. The Company has substantially settled all federal income tax matters through 2008, state and local jurisdictions through 2007 and foreign jurisdictions through 2006. The Company could be subject to audits in these jurisdictions for the subsequent years.

Unrecognized tax benefits activity for the fiscal years ending is summarized below (in thousands):

	2013	2012	2011
Unrecognized tax benefit—beginning of year	$ 2,553	$ 2,623	$ 3,595
Additions based on tax positions related to the current year	32	—	—
Additions for tax positions of prior years	22	—	69
Reductions for tax positions of prior years	—	(36)	(218)
Settlements	(65)	—	—
Lapse of statutes of limitations	(66)	(34)	(823)
Unrecognized tax benefit—end of year	$ 2,476	$ 2,553	$ 2,623

Included in the balance of unrecognized tax benefits at December 28, 2013 and December 29, 2012 are $0.6 million and $2.2 million, respectively, of tax benefits that, if recognized, would affect the Company's effective tax rate.

The Company recognizes accrued interest and penalties (not included in the table above) as a component of income tax expense. For each of the years ended December 28, 2013 and December 29, 2012, the Company recognized less than $0.1 million in interest and penalties. Also at both December 28, 2013 and December 29, 2012, the Company had an accrued interest balance of $0.3 million and accrued penalties of less than $0.1 million.

During the third quarter of 2013, the U. S. Department of the Treasury ("Treasury") released final tangible property regulations under Sections 162(a) and 263(a) of the Internal Revenue Code of 1986 (the "Code"), regarding the deduction and capitalization of expenditures related to tangible property. Treasury also released proposed regulations under Section 168 of the Code regarding dispositions of tangible property. These final and proposed regulations will be effective for the Company's tax year ending December 31, 2014. The Company does not expect to early adopt any of these regulations. Final revenue procedures for certain provisions were released in January 2014. The Company continues to review the regulations and the expected impact on the Company's consolidated financial statements when they are effective.

NOTE 9: EMPLOYEE BENEFIT PLANS

The Company has a defined contribution savings plan covering all eligible associates. The Company matches 33% of an employee's contribution up to 5% of the employee's annual compensation, subject to statutory limitations. The Company's contributions to the plan were $0.6 million, $0.6 million and $0.5 million for fiscal years 2013, 2012 and 2011, respectively. Plan participants may choose from an array of mutual fund investment options. The plan does not provide for investments in West Marine common stock.

NOTE 10: SEGMENT INFORMATION

The Company historically reported three segments—Stores, Port Supply (wholesale) and direct-to-consumer. In June 2012, the Company hired a new Chief Executive Officer (as the Company's chief operating decision maker or the "CODM") and have since changed the way in which the Company is managed. There have been organizational changes implemented throughout the Company, and the Company has integrated systems and concentrated its strategic focus on omni-channel retailing. In addition, the Company has commingled sales channel payroll expense, inventories, merchandise procurement and distribution networks. As a result of these changes and in view of the change in how the CODM reviews operating results for the purposes of allocating resources and assessing performance, beginning in this fiscal year, the Company is reporting one reportable segment. Revenues from customers are derived from merchandise sales and the Company does not rely on any individual major customers as a source of revenue.

The Company considers its merchandise expansion strategy to be strategically important to the future success of the Company and is providing the following product category information. The Company's merchandise mix over the last three years is reflected in the table below:

	2013	2012	2011
Core boating products	83.5%	84.7%	86.1%
Merchandise expansion products	16.5%	15.3%	13.9%
Total	100.0%	100.0%	100.0%

The Company considers core boating products to be maintenance related products, electronics, sailboat hardware, anchors/docking/moorings, engine systems, safety, electrical, plumbing, boats, outboards, ventilation, deck hardware/fasteners, navigation, trailering, seating/boat covers and barbecues/appliances. The Company considers its merchandise expansion products to be comprised of apparel, footwear, clothing accessories, fishing, watersports, paddlesports, coolers, bikes and cabin/galley.

NOTE 11: STOCKHOLDERS' EQUITY

Stock Repurchase Program

In August 2013, the Company entered into a written trading plan (the "10b5-1 Plan") under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to facilitate the repurchase of its shares in accordance with the Company's existing share repurchase authorization. As previously announced in March 2013, the Company's Board of Directors approved the repurchase by the Company of up to $10 million of its common stock through open market or privately negotiated transactions.

The 10b5-1 Plan allowed the Company's broker to repurchase common stock on the Company's behalf pursuant to the terms and limitations specified in the Plan, including to the extent such purchases were permitted pursuant to Regulation M and Rule 10b-18 of the Exchange Act.

The Company repurchased 249,235 shares during the quarter ended December 28, 2013 (which amount does not include 31,731 shares repurchased, but not settled at December 28, 2013), at an aggregate price of approximately $3.3 million and an average price per share of $13.25 under the repurchase plan.

Preferred Stock

As of December 28, 2013 and December 29, 2012, there were no shares of preferred stock outstanding.

Common Stock

The Company is authorized to issue up to 50,000,000 shares of common stock with a par value $0.001 per share.

NOTE 12: QUARTERLY FINANCIAL DATA

(Unaudited and in thousands, except per share data)

The following quarterly consolidated financial data for each of the first three quarters of the year ended December 28, 2013 and the four quarters of the year ended December 29, 2012 have been revised to reflect the correction of the error described in Note 1. The Company plans to revise its interim financial information for fiscal 2013 when filing subsequent reports on Form 10-Q.

	2013			
	First Quarter		Second Quarter	
	As Reported	As Revised	As Reported	As Revised
Net revenues	$ 114,244	$ 114,244	$ 236,750	$ 236,750
Gross profit	24,943	25,314	82,561	87,263
Selling, general and administrative expense	39,881	41,505	44,797	49,613
Income (loss) from operations	(14,935)	(16,188)	37,765	37,651
Net income (loss)	(8,981)	(9,729)	22,309	22,242
Net income (loss) per share:				
Basic	$ (0.38)	$ (0.41)	$ 0.92	$ 0.92
Diluted	(0.38)	(0.41)	0.91	0.90
Stock trade price:				
High	$ 13.18	$ 13.18	$ 12.43	$ 12.43
Low	10.61	10.61	11.00	11.00

	2013		
	Third Quarter		Fourth Quarter
	As Reported	As Revised	
Net revenues	$ 193,362	$ 193,362	$ 118,818
Gross profit	54,850	57,679	21,390
Selling, general and administrative expense	41,725	44,170	40,604
Income (loss) from operations	13,118	13,502	(19,222)
Net income (loss)	6,337	6,524	(11,200)
Net income (loss) per share:			
Basic	$ 0.26	$ 0.27	$ (0.46)
Diluted	0.26	0.26	(0.46)
Stock trade price:			
High	$ 12.30	$ 12.30	$ 14.23
Low	10.58	10.58	11.25

	2012			
	First Quarter		Second Quarter	
	As Reported	As Revised	As Reported	As Revised
Net revenues	$ 121,468	$ 121,500	$ 243,572	$ 243,619
Gross profit	29,500	31,839	85,853	90,233
Selling, general and administrative expense	39,903	43,387	47,415	51,497
Income (loss) from operations	(10,408)	(11,553)	38,288	38,586
Net income (loss)	(6,247)	(6,920)	22,616	22,793
Net income (loss) per share:				
Basic	$ (0.27)	$ (0.30)	$ 0.97	$ 0.98
Diluted	(0.27)	(0.30)	0.95	0.96
Stock trade price:				

High	$ 13.41	$ 13.41	$ 12.41	$ 12.41
Low	10.35	10.35	9.94	9.94

	2012			
	Third Quarter		Fourth Quarter	
	As Reported	As Revised	As Reported	As Revised
Net revenues	$ 191,924	$ 191,945	$ 118,287	$ 118,187
Gross profit	60,296	61,955	22,457	23,491
Selling, general and administrative expense	43,121	44,191	42,398	43,046
Income (loss) from operations	17,171	17,760	(19,881)	(19,495)
Net income (loss)	10,272	10,581	(11,112)	(11,735)
Net income (loss) per share:				
Basic	$ 0.44	$ 0.45	$ (0.47)	$ (0.50)
Diluted	0.43	0.44	(0.47)	(0.50)
Stock trade price:				
High	$ 12.22	$ 12.22	$ 10.75	$ 10.75
Low	9.67	9.67	9.39	9.39

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

West Marine’s management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of December 28, 2013, due to the existence of the material weakness discussed below.

Material Weakness in Internal Control Over Financial Reporting

West Marine’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. As described in Management’s Report on Internal Control Over Financial Reporting, contained in Item 8, "Financial Statements and Supplementary Data," of this annual report on Form 10-K, as of December 28, 2013, management has concluded that we have not maintained effective internal control over financial reporting because we have identified a material weakness in internal control over financial reporting related to the application of GAAP for certain cash consideration received from vendors for our "Key Season Program." For more information, please refer to Item 8, "Management's Report on Internal Control Over Financial Reporting," of this annual report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 28, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As a result of the material weakness identified by management, we are in the process of implementing the following changes in our internal control over financial reporting that are reasonably likely to materially affect our internal control over financial reporting:

- Complete a comprehensive analysis of the application of GAAP related to our Key Season Program.
- Implement improvements and enhance training for key accounting associates related to the underlying processes for recording cash consideration received under our Key Season Program.

Management believes that these efforts are reasonably likely to materially affect our internal control over financial reporting as they are designed to remediate the material weakness. In addition, as we continue to evaluate our disclosure controls and procedures and internal control over financial reporting and take the steps detailed above, we may implement additional measures in the future or otherwise modify the remediation measures described above, if and as we deem necessary or appropriate.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference from our definitive proxy statement for the 2014 annual meeting of stockholders.

ITEM 11—EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from our definitive proxy statement for the 2014 annual meeting of stockholders.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference from our definitive proxy statement for the 2014 annual meeting of stockholders.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from our definitive proxy statement for the 2014 annual meeting of stockholders.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference from our definitive proxy statement for the 2014 annual meeting of stockholders.

PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1	Reports of Independent Registered Public Auditing Firm
	Consolidated Balance Sheets as of fiscal year-end 2013 and 2012
	Consolidated Statements of Income for fiscal years 2013, 2012 and 2011
	Consolidated Statements of Comprehensive Income for fiscal years 2013, 2012 and 2011
	Consolidated Statements of Stockholders' Equity for fiscal years 2013, 2012 and 2011
	Consolidated Statements of Cash Flows for fiscal years 2013, 2012 and 2011
	Notes to Consolidated Financial Statements
2	Schedule II Valuation and Qualifying Accounts
3	Exhibits:

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
		(In thousands)		
Year ended December 28, 2013				
Allowance for doubtful accounts	$ (277)	$ (325) (1)	$ 359 (2)	$ (243)
Reserve for product sales returns	$ (1,129)	$ (2,031) (3)	$ 1,590 (4)	$ (1,570)
Deferred tax valuation allowance	$ 1,692	$ 2,552 (5)	$ (360) (6)	$ 3,884
Year ended December 29, 2012				
Allowance for doubtful accounts	$ (301)	$ (788) (1)	$ 812 (2)	$ (277)
Reserve for product sales returns	(1,082)	$ (1,702) (3)	$ 1,655 (4)	$ (1,129)
Deferred tax valuation allowance	$ 1,692	$ —	$ —	$ 1,692
Year ended December 31, 2011				
Allowance for doubtful accounts	$ (431)	$ (687) (1)	$ 817 (2)	$ (301)
Reserve for product sales returns	$ (995)	$ (1,792) (3)	$ 1,705 (4)	$ (1,082)
Deferred tax valuation allowance	$ 19,614	$ —	$ (17,922) (6)	$ 1,692

(1) Allowance for Doubtful accounts are charged to expenses.
(2) Represents uncollectible accounts written off against the allowance for doubtful accounts.
(3) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical returns rates and is charged as a reduction to revenue.
(4) Represents allowance for sales returns written off.
(5) Represents a valuation allowance against California enterprise zone tax credits for deferred tax allowance.
(6) Represents release of substantially all valuation allowance except state tax credits.

Exhibit Index

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of West Marine, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 18, 2004).
3.2	Bylaws of West Marine, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 6, 2012 and filed on December 11, 2012).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2012).
10.1	Form of Indemnification Agreement between West Marine, Inc. and its directors and officers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2002).
10.2*	West Marine, Inc. Omnibus Equity Incentive Plan, as Amended and Restated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 19, 2011 and filed on May 20, 2011).
10.2.1*	Amendment Number One to the West Marine, Inc. Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 3, 2012 and filed on April 4, 2012).
10.2.2*	Amendment Number Two to the West Marine, Inc. Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 21, 2014 and filed February 27, 2014.
10.2.3*	Form of Notice of Grant of Stock Options and form of Stock Option Award Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 3, 2012 and filed on April 4, 2012).
10.2.4*	Form of Notice of Grant of Restricted Stock Units and form of Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 3, 2012 and filed on April 4, 2012).
10.2.5*	Form of Notice of Grant of Restricted Stock Award and form of Restricted Stock Award Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 3, 2012 and filed on April 4, 2012).
10.2.6*	Form of Notice of Grant of Stock Options and Stock Option Agreement for Associates (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 19, 2011 and filed on May 20, 2011).
10.2.7*	Form of Notice of Grant of Restricted Stock Units and Restricted Stock Unit Agreement for Associates (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated May 19, 2011 and filed on May 20, 2011).
10.2.8*	Form of Notice of Grant of Stock Options and Stock Option Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated May 19, 2011 and filed on May 20, 2011).
10.2.9*	Form of Notice of Grant of Restricted Stock Award and Restricted Stock Award Agreement for Non-employee Directors (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated May 19, 2011 and filed on May 20, 2011).
10.2.10*	Form of Notice of Grant of Time-Vested Restricted Stock Units and Time-Vested Restricted Stock Unit Agreement for Associates (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 21, 2014 and filed on February 27, 2014).
10.2.11*	Form of Notice of Grant of Performance-Based Restricted Stock Units and Performance-Based Restricted Stock Unit Agreement for Associates (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 21, 2014 and filed on February 27, 2014).
10.3*	West Marine, Inc. Associates Stock Buying Plan, as amended and restated effective November 1, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2009).
10.4	Lease Agreement, dated as of January 28, 2011, by and between PanCal West Marine 287 LLC and West Marine Products, Inc., for the Hollister, California distribution facility (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 28, 2011 and filed on January 31, 2011).

Exhibit Number	Exhibit
10.4.1	Addendum to Lessor, dated as of January 28, 2011, to the Lease Agreement for the Hollister, California distribution facility (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 28, 2011 and filed on January 31, 2011).
10.5	Lease Agreement, dated as of March 11, 1997, between Cabot Industrial Venture A, LLC, as successor to Cabot Industrial Properties, L.P., as successor to W/H No. 31, L.L.C, and West Marine, Inc., for the Rock Hill, South Carolina distribution facility and other agreements thereto (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 1997).
10.5.1	First Amendment, dated as of August 11, 1998, to the Lease Agreement for the Rock Hill, South Carolina distribution facility and other agreements thereto (incorporated by reference to Exhibit 10.11.1 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001).
10.5.2	Second Amendment, dated as of April 18, 2000, to the Lease Agreement for the Rock Hill, South Carolina distribution facility and other agreements thereto (incorporated by reference to Exhibit 10.11.2 to the Company's Quarterly Report on Form 10-K for the year ended December 29, 2001).
10.5.3	Third Amendment, dated as of July 26, 2004, to the Lease Agreement for the Rock Hill, South Carolina distribution facility (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 4, 2004 and filed on October 8, 2004).
10.6	Lease Agreement, dated June 26, 1997, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.6.1	First Amendment of Lease, dated July 27, 2005, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K dated July 27, 2005 and filed on July 28, 2005).
10.6.2	Second Amendment of Lease, dated December 22, 2005, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 22, 2005 and filed on December 29, 2005).
10.6.3	Third Amendment of Lease, dated November 30, 2006, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated July 29, 2009 and filed on July 30, 2009).
10.6.4	Fourth Amendment of Lease, dated July 29, 2009, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated July 29, 2009 and filed on July 30, 2009).
10.6.5	Fifth Amendment of Lease, dated July 15, 2011, by and between Watsonville Freeholders, L.P. and West Marine Products, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated July 15, 2011 and filed on July 20, 2011).
10.7	First Amendment of Amended and Restated Loan and Security Agreement, dated as of November 30, 2012, by and among West Marine Products, Inc., each of the other persons that are signatories thereto as borrowers, each of the persons that are signatories thereto as guarantors, the lenders that are signatories thereto, Wells Fargo Bank, National Association (as successor by merger to Wells Fargo Retail Finance, LLC), as agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 30, 2012 and filed on December 4, 2012).
10.7.1	Amended and Restated Loan and Security Agreement, dated as of August 23, 2010, by and among West Marine Products, Inc., each of the other persons that are signatories thereto as borrowers, each of the persons that are signatories thereto as guarantors, the lenders that are signatories thereto, Wells Fargo Retail Finance, LLC, as agent for the lenders, and Wells Fargo Capital Finance, LLC, as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 23, 2010 and filed on August 27, 2010).
10.8*	Letter Agreement, dated as of May 17, 2012, between West Marine, Inc. and Matthew L. Hyde (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 17, 2012 and filed on May 17, 2012).
10.8.1*	First Amendment to Letter Agreement, dated as of May 17, 2012, between West Marine, Inc. and Matthew L. Hyde (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A dated May 17, 2012 and filed on May 17, 2012).

Exhibit Number	Exhibit
10.9*	Executive Employment Agreement, dated as of December 11, 2006, by and among West Marine, Inc., West Marine Products, Inc. and Thomas Moran (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 11, 2006 and filed on December 12, 2006).
10.9.1*	First Amendment to Executive Employment Agreement, dated as of September 27, 2007, by and among West Marine, Inc., West Marine Products, Inc. and Thomas Moran (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2007).
10.10*	Executive Termination Compensation Agreement, dated as of September 9, 2004, by and between West Marine, Inc. and Bruce Edwards (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
10.10.1*	Separation Agreement, dated as of September 4, 2013, between West Marine, Inc. and Bruce Edwards (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 4, 2013 and filed on September 5, 2013).
10.11*	Offer Letter, dated as of February 7, 2006, to Ronald Japinga from West Marine, Inc. (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
10.11.1*	Executive Termination Compensation Agreement, dated as of February 13, 2006, by and between West Marine, Inc. and Ronald Japinga. (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
10.12*	Executive Officer Severance Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 16, 2011 and filed on March 22, 2011).
21.1**	List of Subsidiaries.
23.1**	Consent of PricewaterhouseCoopers LLP.
23.2**	Consent of Grant Thornton LLP.
31.1**	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2**	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
101.INS†	XBRL Instance Document.
101.SCH†	XBRL Taxonomy Extension Schema Document.
101.CAL†	XBRL Taxonomy Calculation Linkbase Document.
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	XBRL Taxonomy Label Linkbase Document.
101.PRE†	XBRL Taxonomy Presentation Linkbase Document.

* Indicates a management contract or compensatory plan or arrangement within the meaning of Item 601(b)(10)(iii) of Regulation S-K.

** Filed with the Company’s Annual Report on Form 10-K for the year ended December 28, 2013, as filed on March 12, 2014.

† Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the consolidated balance sheets as of December 28, 2013 and December 29, 2012; (ii) the consolidated statements of income for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011; (iii) the consolidated statements of stockholders' equity for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011; (iv) the consolidated statements of comprehensive income for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 and (v) the consolidated statements of cash flows for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

Date: March 12, 2014	WEST MARINE, INC.
	By: /s/ MATTHEW L. HYDE
	Matthew L. Hyde
	President and Chief Executive Officer

Power of Attorney

West Marine, Inc. a Delaware corporation, and each person whose signature appears below, constitutes and appoints Matthew L. Hyde and Thomas R. Moran, and either of them, with full power to act without the other, such person's true and lawful attorneys-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign this annual report on Form 10-K and any and all amendments to such annual report on Form 10-K and other documents in connection therewith, and to file the same, and all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature Capacity

/s/ MATTHEW L. HYDE

Matthew L. Hyde
President, Chief Executive Officer and Director (Principal Executive Officer)

March 12, 2014

/s/ THOMAS R. MORAN

Thomas R. Moran
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

March 12, 2014

/s/ RANDOLPH K. REPASS

Randolph K. Repass
Chairman of the Board and Director

March 12, 2014

/s/ DENNIS MADSEN

Dennis Madsen
Director

March 12, 2014

/s/ JAMES F. NORDSTOM, JR.

James F. Nordstrom, Jr.
Director

March 12, 2014

/s/ ROBERT D. OLSEN

Robert D. Olsen
Director

March 12, 2014

/s/ BARBARA L. RAMBO

Barbara L. Rambo
Director

March 12, 2014

/s/ ALICE M. RICHTER

Alice M. Richter
Director

March 12, 2014

/s/ CHRISTIANA SHI

Christiana Shi
Director

March 12, 2014

Company Data

Board of Directors

Randolph K. Repass
Founder of West Marine, Inc. and Chairman since 1968

Matthew L. Hyde
Director of West Marine, Inc. since 2012
President and Chief Executive Officer

Alice M. Richter
Director of West Marine, Inc. since 2005
Audit and Finance Committee Chair; Financial Expert and Nomination and Governance Committee member
Retired Partner, KPMG LLP

Barbara L. Rambo
Director of West Marine, Inc. since 2009
Nomination and Governance Committee Chair; Compensation and Leadership Development Committee member; Audit and Finance Committee member and Lead Independent Director
Chief Executive Officer, Taconic Management Services

Dennis F. Madsen
Director of West Marine, Inc. since 2010
Compensation and Leadership Development Committee Chair; and Nomination and Governance Committee member
Former President and Chief Executive Officer, Recreational Equipment, Inc.

Christiana Shi
Director of West Marine, Inc. since 2011
Audit and Finance Committee member; and Compensation and Leadership Development Committee member
President of NIKE Global Direct-to-Consumer

James F. Nordstrom, Jr.
Director of West Marine, Inc. since 2012
Compensation and Leadership Development Committee member
Executive Vice President and President of Nordstrom Direct, Nordstrom, Inc.

Robert D. Olsen
Director of West Marine, Inc. since 2013
Audit and Finance Committee member and Financial Expert
Former Chief Development Officer, Customer Satisfaction, Autozone, Inc.

For more information about our Board members, please refer to West Marine, Inc.'s 2014 Proxy Statement.

Named Executive Officers

Matthew L. Hyde
President and Chief Executive Officer

Thomas R. Moran
Executive Vice President and Chief Financial Officer

Barry Kelley
Executive Vice President of Stores and Wholesale

Ronald Japinga
Executive Vice President of Merchandising, Replenishment and Logistics

Company Information

Company Headquarters
500 Westridge Drive
Watsonville, California 95076
(831) 728-2700

Transfer Agent
Computershare Investor Services
P.O. Box 30170
College Station, TX 77842-3170
www.computershare.com/investor

Legal Counsel
Cooley LLC
1299 Pennsylvania Avenue, N.W.
Washington, DC 20004
www.cooley.com

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
Three Embarcadero Center
San Francisco, California 94111
www.pwc.com

Securities and Exchange Commission
Copies of West Marine's annual reports on Form 10-K and quarterly reports on Form 10-Q (each, exclusive of exhibits) are available without charge upon written request to:

Attention: Secretary
West Marine, Inc.
500 Westridge Drive
Watsonville, California 95076

Annual reports are available online at www.westmarine.com via the Investor Relations section.

West Marine does not distribute quarterly reports to its stockholders.

002CSN34F7

West Marine® 500 Westridge Drive • Watsonville, California 95076 • 831.728.2700 • **westmarine.com**

002CSN34F7