West Marine®

2015 Proxy Statement & 2014 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:

Reflecting back on the past 12 months, I would characterize 2014 as a year of continued investment and strengthening of our business. We've worked hard to transition West Marine into a broader waterlife outfitter and serve our customers' entire lives on and around the water.

The year started out unusually cold with record low temperatures in parts of the country during the critical spring commissioning period. For the first quarter, we recorded a comparable store sales decline of -1.7% followed by a second quarter decline of -0.7%. Despite the challenging start, we continued to focus and make progress on all of our key strategies: eCommerce, Merchandise Expansion and Store Optimization. In eCommerce we launched a new westmarine.com platform to improve search, speed and checkout for our customers. We rolled out substantial changes in our merchandise expansion categories, opened 7 new stores, and revitalized 11 stores.

All of this work, combined with improving weather in the third quarter and a stronger economy, helped improve our sales in the back half of the year. In the third quarter we achieved a comparable store increase of +0.6% driven by strong merchandise expansion product sales and increasing active customer counts. Our holiday strategy helped deliver a fourth quarter comparable store sales increase of +2.8%, including a +6.4% comp store sales increase in the month of December.

Domestic eCommerce delivered a 16.3% increase for the fourth quarter. Merchandise expansion product sales for the quarter increased +15.3%. The 11 stores we revitalized in 2014 delivered a 6.6% comp increase in the fourth quarter.

We're pleased that the investments we're making in our three growth strategies are translating to our top line.

For 2015, we're rolling out a very broad-based change that is aimed at improving the shopping experience and sales in about 180 of our standard-sized traditional stores. We're making extensive assortment updates, deepening inventory levels of core boat parts, and adding merchandise expansion products. This is an extremely important change for us, and we expect it to increase the productivity of these stores and improve the customer experience.

I'm pleased with the progress the entire West Marine team has made in the past 12 months to evolve the brand into a broader waterlife outfitter. Transitions like this take time, but we're encouraged by our results. Looking towards the future, you can expect us to be committed to our high-level direction while providing exceptional service to our customers and delivering on our mission. We're looking forward to continued progress in 2015.

See you out on the water,

Matt Hyde

Matt Hyde

Dear Fellow Stockholders:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of West Marine, Inc. to be held at our company headquarters, 500 Westridge Drive, Watsonville, California, on Thursday, May 21, 2015 at 10:30 a.m., Pacific Time ("Annual Meeting").

We are pleased to furnish proxy materials to you over the Internet as permitted by Securities and Exchange Commission rules. We believe that this e-proxy process expedites your receipt of our 2015 Proxy Statement and our 2014 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 10, 2015, 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 2015 fiscal year ending January 2, 2016;

(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,

Randolph K. Repass
Chairman of the Board

Watsonville, California

April 10, 2015

West Marine

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

PROXY STATEMENT

2015 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 January 3, 2015 ("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. Our 2014 fiscal year was a 53-week period ending January 3, 2015 ("2014 Fiscal Year"). Unless otherwise stated, all information presented in this Proxy Statement is based on our 2014 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 ("PwC") as our independent registered public accounting firm ("Independent Auditors") for our 2015 fiscal year ending January 2, 2016 ("2015 Fiscal Year"); 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 10, 2015.

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 11, 2015 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 the corporate headquarters, which we call our support center ("Support Center"), located at 500 Westridge Drive, Watsonville, California, 95076, on May 21, 2015 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 23, 2015 ("Record Date") are entitled to vote at our Annual Meeting. On the Record Date, there were 24,546,620 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 21, 2015.

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, Randolph K. Repass and Matthew L. 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 2015 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, 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 West Marine, Inc. (the "Company" or "West Marine") 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 2016 annual meeting of stockholders?

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

We anticipate that our 2016 annual meeting of stockholders (“2016 Annual Meeting”) will be held in May 2016. Any stockholders who intend to present proposals at, and who wish to have them included in the proxy statement for the 2016 Annual Meeting, must ensure that such proposals are addressed to West Marine at the address stated above and received no later than December 10, 2015. 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 2016 Annual Meeting and Director Nominations.

Any stockholder proposals that a stockholder intends to present at the 2016 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 2016 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.

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; have 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. 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 as well. 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-election, 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 for the Annual Meeting 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 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 of the Board ("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.

BOARD SUCCESSION PLANNING & ANNUAL BOARD AND COMMITTEE EVALUATIONS

Our Nomination and Governance Committee regularly evaluates Board succession planning, including Board refreshment practices and leadership structure, to ensure that the Board and its Committees include the right balance of tenured Directors, who provide continuity and historical perspective, and new Directors, who bring a fresh perspective. The Committee's succession planning process is on-going and throughout the year, our Committee strives to maintain a continuous pipeline of highly qualified Director candidates with particular attributes, experience and skills designed to enhance the Board’s effectiveness and to achieve the Company’s business objectives. We believe our current Board composition, comprised of Directors with an average Board tenure of five years (excluding our founder and Chairman) strikes the right balance.

Annually, we ask all Board and Committee members to reply to anonymous evaluation questionnaires designed to assess the experience, skills, qualifications, contributions and overall performance of the Board and each Committee. Our Board and Committee members then discuss the results of these evaluations at their next meetings. We plan to continue to conduct evaluations each year and to periodically modify our procedures to ensure that we receive candid feedback and are responsive to future developments and suggestions from our Directors. In addition, these evaluations help identify gaps in skills on the Board or a Committee, if any, to inform the Board's succession planning needs.

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 recommend for re-election 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. Director nominees recommended by our stockholders will be evaluated in the same manner as any other Director nominee.

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 Director nominee. 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 2016 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 policies, including a *Risk Appetite Framework,* which includes guidelines to assist our Executives in assessing risks which are acceptable and those which are unacceptable in pursuit of our business objectives, and 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, strategic, 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 auditors ("Internal Auditor") and our Independent Auditors;

- Meets periodically with management to review reports on the status of and any changes to risk exposures, policies, procedures and practices and the steps management has taken to monitor and control such exposures;
- Reviews and approves related party transactions;
- Monitors our administration of our *Whistleblower Policy and Procedures*; and
- Coordinates with the Nomination and Governance Committee on the oversight of other specific risks.

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 practices;
- Monitors risks associated with Board leadership, structure, independence, performance and succession planning;
- 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 compensation and other governance-related matters. We provide multiple avenues for our stockholders to communicate with our Executives and our Board.

- In 2014, 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 our stockholder outreach efforts, actions taken in response and last year's voting results see the "Executive Summary - 2014 Say-on-Pay Results and Stockholder Outreach" in 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 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 other 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 Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") or if a separate postion, our Principal Financial Officer ("PFO"), 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)

BOARD PRACTICES	
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 2015: * 10 years including our Chairman and founder * 5 years exclusive of Chairman	No over-boarding permitted by policy: * CEO, may not serve as a Director on more than one other public company * Board members may not serve on more than four public companies
* Stock ownership required of all Directors by policy * All Directors with more than one year of service own stock	* No mandatory age or term limits * Board and Committee performance is evaluated annually
New Director orientation program: * Outlines Board role and responsibilities * Provides an overview of the Company's operations * Provides Directors with opportunities to meet with our management team	* Board and Committees actively oversee enterprise risk matters (See "Risk Management Oversight") * Executives evaluate risk tolerance in pursuit of our business objectives using our *Risk Appetite Framework*
No pension or other retirement plans for Directors	Directors attend continuing education programs at their own expense
STOCKHOLDER RIGHTS	
Bylaws have a <u>simple majority</u> voting standard for all matters, including: * Bylaw and Charter amendments * Actions by special meeting * Mergers and acquisitions	* No exclusive venue provision in Bylaws * No mandated fee-shifting or arbitration provisions in Bylaws in the event of stockholder litigation
* Action may be taken by written consent of stockholders	* No poison pill provisions
* No material restrictions on right to call special meetings	Company does not have a dual-class or super-voting stock
AUDIT MATTERS & DISCLOSURE CONTROLS	
* Non-audit-related services/fees are reasonable relative to audit and audit-related fees	* Independent Auditors' report contained an unqualified opinion
Audit and Finance Committee has two financial experts	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 *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	Our Disclosure Committee assists our CEO and our CFO, or PFO, 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

NO COMPENSATION COMMITTEE INTERLOCKS

During our 2014 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, beneficial owner of more than five (5%) percent 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 clarifies that related party transactions do not include: (i) transactions in securities of the Company in which the Company is not aware of the identity of the counterparty at the time of the transaction; (ii) employment compensation arrangements with our NEOs and compensation arrangements with our Directors which have been approved by our Board or our Compensation and Leadership Development Committee; and (iii) transactions available to Company associates and/or customers in general, provided that, any such transactions may nonetheless be reported to the Audit and Finance Committee annually or, if circumstances warrant, more often.

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, if available, 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

Over the last few years, the Company has been actively engaged in unwinding its related party transactions which have primarily consisted of real estate leases between West Marine and entities in which our founder and Chairman, Randolph K. Repass, together with certain members of his family, own substantially all of the interests (the "Repass Entity"). As a result, at the end of our 2014 Fiscal Year, only two related party lease transactions remain in effect between West Marine and the Repass Entity. One of these leases is for our Support Center and adjacent warehouse space located in Watsonville, California (collectively, "Support Center/warehouse"), and the remaining is for one of our retail stores (out of our 279 store fleet as of year-end 2014) located in Santa Cruz, California. There are no related party transactions with any other current Director, any Director nominee, any NEO or any beneficial owner of more than 5% of our stock.

The Santa Cruz store and the 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 had been in effect since 1996. The Company ceased operations at the Braintree store in June of 2014 when it entered into a lease with an unrelated party for a larger store located nearby. The parties agreed to terminate the lease in September 2014, prior to its expiration date in December, and although this caused the acceleration of lease payments, the Company realized a small savings of approximately $10,000. All of these leases were negotiated at arms' length by independent representatives for each party after assessing market data for comparable properties, and the term of each lease was fixed, at the time the leases were entered into. Our Santa Cruz store is profitable, earning a contribution rate above our internal contribution margin hurdle rate and, therefore, it is in the Company's best interest to maintain this store at its current location.

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 leased Support Center warehouse space. 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.

The following illustrates the lease terms for the two remaining related party leases 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 (1)	11% higher	$0.1 million

(1) The Company currently is evaluating its options with respect to this retail store location.

The aggregate net amounts paid to the Repass Entity during each of the fiscal years 2014, 2013 and 2012, respectively, were $1.7 million, $1.9 million and $1.8 million in rent, common area maintenance and insurance expenses, with approximately 86.0% of the amount attributable to the Support Center/warehouse lease. Mr. Repass' partnership interest in the Braintree, MA store was 14.0%. His partnership interests in the Santa Cruz, CA store and the Support Center/warehouse are 80.0% and 87.5%, respectively.

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 above 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 following:
  - A vendor who sells a small amount of product to the Company is partially owned by Mr. Nordstrom's brother. Mr. Nordstrom and his brothers were partners in a partnership which loaned money to that vendor. The loan was short-term and was completely repaid by Mr. Nordstrom's brother in 2014. In reviewing this transaction, our Board considered that Mr. Nordstrom had no direct or indirect pecuniary interest in the vendor, nor did he engage in any direct or indirect communication or negotiations, nor did he exert any control over these matters with management or other Company associates. As a result, the Board concluded that Mr. Nordstrom's relationship was not material and would not interfere with his ability to exercise independent judgment from management, nor did it impair his ability to make independent judgments as a member of the Compensation and Leadership Development Committee about the Company's Executive compensation programs ("Executive Compensation") and therefore, Mr. Nordstrom's independence was not impaired; and
  - In July, 2014, Ms. Richter's son was hired as an audit manager in PwC's Minneapolis, Minnesota offices. PwC was at that time and continues to serve as the Company’s Independent Auditors. In reviewing this relationship, the Board considered that Ms. Richter’s son is not a current partner, nor did he at any time work as a PwC employee on West Marine's audit. As a result, the Board concluded that this relationship would not interfere with Ms. Richter's ability to exercise independent judgment in carrying out her responsibilities as a Director and/or as Chair of the Audit and Finance Committee.
- Our Audit and Finance Committee has determined the independence of, and selected PwC to serve as, our Independent Auditors for our 2015 Fiscal Year.
- Our Compensation and Leadership Development Committee has retained a compensation consultant ("Compensation Adviser") employed by Frederic W. Cook & Co., Inc. ("FW Cook"), who is independent of West Marine and management. The Compensation Adviser 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 our 2014 Fiscal Year, our Board met four times, our Audit and Finance Committee met nine times, our Nomination and Governance Committee met four times and our Compensation and Leadership Development Committee met five times; 100% of our Directors attended all of his/her Board and Committee meetings as well as our 2014 Annual Meeting of Stockholders (the "2014 Annual Meeting").

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 of 2015. 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 our 2014 Fiscal Year 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**	The Audit and Finance Committee serves as the Board's representative in reviewing: (i) the Company's accounting and financial reporting processes, including the internal control environment established by management; (ii) the qualifications and independence of the Independent Auditors; (iii) the internal audit function; (iv) the Company's compliance with legal and regulatory requirements; (v) the Company's policies and practices with respect to major risk exposures, including strategic, financial, regulatory and operational risks; and (vi) the Company's financial plans, capital structure and key investment objectives and strategies. To carry out these purposes, the Committee's responsibilities include, without limitation: • Review with management and the Independent Auditors the Company's interim and annual financial statements prior to publication in the periodic reports filed with the SEC; • Consider the Company's control environment, including the Independent Auditors' judgment as to the Company's accounting polices and practices and the consistency of their application to the financial statements; • Review and discuss with management, the Internal Auditor and the Independent Auditors the design, operation and effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, including changes, if any, in internal control over financial reporting; • Review reports from the Company's senior financial management, disclosure committee, legal counsel and the Internal Auditor on significant accounting developments, emerging trends and other relevant matters; • Annually review the qualifications, performance and retention of the Independent Auditors; • Pre-approve all audit and non-audit fees and services; • Review communications required from the Independent Auditors; • Review the Company's 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 from the Internal Auditor and the Independent Auditors, including any audit problems or difficulties, and attempt to resolve any disagreements with management; • Discuss with management and the Independent Auditors any correspondence from regulators or government agencies; • Assess annually the adequacy of the Company's *Related Party Transactions Policy* and pre-approve, as necessary, all related policy transactions subject to the Policy; • Assess annually the adequacy of the Company's *Whistleblower Policy and Procedures*, including procedures for the receipt, retention and treatment of complaints regarding accounting, internal control over financial reporting, auditing matters and securities law compliance; • 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; • Prepare the Committee report required for the annual proxy statement; • Review and make recommendations to the Board concerning the Company's financial plans, capital structure, policies and budgets; and • Provide risk oversight and monitor compliance of the Company's policies and practices with respect to certain strategic, 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, Jr.**	The Compensation and Leadership Development Committee serves as the Board's representative in overseeing: (i) the Company's overall compensation plans, policies and programs; (ii) risks, if any, from compensation policies and programs, including incentive compensation; and (iii) the Company's leadership development initiatives and programs, including succession planning. To carry out these purposes, the Committee's responsibilities include, without limitation: • Annually review and approve the Company's compensation strategy, goals and objectives, including setting 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"), including salaries, incentive compensation, special perquisites and other benefit arrangements; • Assess our CEO's performance in light of established goals; • Review and approve any benefit and/or severance, retirement or deferred compensation plans; • Periodically review and approve a peer group for the Company's compensation comparatives; • Review, approve and oversee the *West Marine, Inc. Omnibus Equity Incentive Plan, as Amended and Restated* ("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; • Review and 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 Executive 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; • Review and discuss with management the Compensation Discussion and Analysis ("CD&A") section, and 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 F. Madsen** **Alice M. Richter**	The Nomination and Governance Committee serves as the Board's representative in: (i) identifying individuals qualified to become members of the Board and each Committee; (ii) recommending Director nominees for election at each annual meeting of stockholders and on an interim basis, as required; (iii) recommending Board structure and leadership; (iv) recommending Directors to serve on each Committee, including Committee Chairs; (v) overseeing the Board evaluation process; (vi) overseeing Board succession planning; (vii) overseeing risks related to corporate governance matters and coordinating risk oversight activities; and (viii) developing and recommending to the Board corporate governance principles applicable to the Company. To carry out these purposes, the Committee's responsibilities include, without limitation: • Evaluate periodically the composition, organization, size and governance of the Board and its Committees and determine future requirements, if any; • Review annually guidelines and procedures for evaluating new Director nominees; • Review and evaluate all stockholder proposals submitted to the Company and recommend to the Board appropriate action; • Identify, screen and recommend to the Board Director nominees and Committee and Chair appointments; • Evaluate and recommend Board structure and leadership appointments; • Review annually and recommend to the Board revisions to the Company's *Governance Principles, Code of Ethics,* and other corporate governance policies/practices; • Oversee an annual performance evaluation of the Board and each of its Committees; • Oversee Board succession planning; • Oversee the process for Director development, including the Director orientation program and on-going training; • Periodically review and reassess procedures for stockholders and other interested parties to send communications to the Board; • 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").

III. DIRECTOR MATTERS

PROPOSAL #1: ELECTION OF DIRECTORS

Under the Bylaws of West Marine, 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 2014 Annual Meeting.

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" above.

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:** 71	• Chairman • Affiliated Director • 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**: 52	• Inside Director • 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 owns a sailboat and enjoys sailing on the Monterey Bay.
Dennis F. Madsen **Director since:** 2010 **Age:** 66	• 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 of REI from April 2000 to March 2005. 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 24 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:** 62	• Lead Independent Director • Chair- Nomination and Governance Committee • Member - Compensation and Leadership Development Committee • Member-Audit and Finance Committee	**PG&E Corporation** • Board Member • Chair - Finance Committee • 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:** 61	• 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, had three years of international experience, 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 of 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:** 55	• 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 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** Ms Shi is being renominated to the Board because of her eCommerce knowledge and extensive retail experience, including retail operations, finance, information technology and supply chain operations. As President of NIKE Global direct-to-consumer business, her past roles as Chief Operating Officer of NIKE'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:** 42	• Independent Director • Member- Compensation and Leadership Development Committee	None	**Experience** Mr. Nordstrom has been Executive Vice President of Nordstrom, Inc. since February, 2005 and in May 2014, he was also appointed President of Stores. Mr. Nordstrom served as President of Nordstrom Direct from February 2005 to May 2014. He previously served as Corporate Merchandise Manager of Children's Shoes from May 2002 to February 2005, as a Project Manager for the design and implementation of Nordstrom's inventory management system from August 1999 to May 2002 and as a Store Manager in Los Angeles, California, from December 1997 to August 1999. He has been employed by Nordstrom, Inc. 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 our store optimization and e-commerce strategies and other 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:** 62	• 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. Additionally, Mr. Olsen's prior experience in key strategic and operational roles, as well as his experience as a Chief Financial Officer, makes him well qualified to serve on the Board and its Audit and Finance Committee. Mr. Olsen has joined with Ms. Richter as 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.

IV. AUDIT AND FINANCE COMMITTEE MATTERS

PROPOSAL #2: SELECTION OF OUR INDEPENDENT AUDITORS

Our Audit and Finance Committee selected PwC as the Independent Auditors for our 2015 Fiscal Year. PwC also served as our Independent Auditors for our 2014 Fiscal Year and for fiscal year end 2013 (see "Other Audit and Finance Committee Matters" 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

EVALUATION OF INDEPENDENCE OF 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 and considers the following:

- The auditors' historical and recent performance on the Company's audit, including the results of an internal evaluation 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.

Based on this evaluation, our Audit and Finance Committee determined that PwC's retail experience and expertise provides relevant perspective when evaluating the Company's accounting policies and practices relative to its other clients in the retail industry. The Committee also considered 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 March 18, 2015, our Audit and Finance Committee approved the appointment of PwC as our independent registered public accounting firm to audit our 2015 Fiscal Year financial statements. 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 LLP ("Grant Thornton"), our former independent registered public accounting firm, on our consolidated financial statements as of and for the fiscal year ended December 29, 2012 ("FYE 2012"), did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. During FYE 2012 and for the subsequent interim period through August 5, 2013 (the "2013 Interim Period"), 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 report on the consolidated financial statements for such year, and there have been no reportable events.

During FYE 2012, and for the subsequent 2013 Interim Period, 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, including 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 PwC billed to us for our last two fiscal years and fees of Grant Thornton billed to us for fiscal year 2013:

($ in thousands)	2014 Fiscal Year	2013 Fiscal Year	
	PwC	PwC	Grant Thornton
Audit Fees	$ 750 (1)	$ 585 (2)	$ 266 (3)
Audit-Related Fees (4)	5	—	16
Tax Fees (5)	179	125	12
All Other Fees	—	—	—

(1) Consists of fees billed to us by PwC for services rendered for the 2014 Fiscal Year audit.

(2) Consists of fees billed to us by PwC for services rendered for the 2013 Fiscal Year audit.

(3) Consists of fees billed to us by Grant Thornton for services rendered related to the review of the 2013 Interim Period first two quarters and consent for FYE 2012.

(4) Includes fees primarily related to statutory audits.

(5) 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 or PFO 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 or PFO will report promptly to our Audit and Finance Committee Chair any non-compliance (or attempted non-compliance) with this policy of which our CFO or PFO 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, as Chair, 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.
- Ms. Richter is required to report any such interim approvals at the next regularly scheduled meeting for Audit and Finance Committee ratification of such action.

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 2014. It provides details for reporting such concerns or violations directly to on or more of the following: members of the Committee; a number of internal resources, including our General Counsel/Secretary or our Internal Auditor; any regulatory agency having jurisdiction over the reported concern; and/or anonymously through our "Network Hotline" operated by a third party (by calling 1-800-241-5689). If reported to a party other than the Audit and Finance Committee, the policy also outlines the procedures through which any such reporting is forwarded to the Committee. The policy prohibits any retaliation for any complaints reported in good faith. At each Audit and Finance Committee meeting, our General Counsel/Secretary or our Internal Auditor is required to present a summary of communications, if any, alleging an accounting irregularity, securities fraud or other wrongdoing covered by this policy, received directly or anonymously since the last Committee meeting, including how the matter was handled. The General Counsel/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 *Internal Process for Handling Communications to the Audit and Finance Committee* and our *Internal Process for Handling Communications to Directors (Non-Audit and Finance Committee)* 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 "audit committee financial experts" 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 2014 Fiscal Year financial statements, 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 PCAOB in Rule 3200T; and (iii) received the written disclosures and the letter from PwC required by applicable requirements of the PCAOB 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 that the audited consolidated financial statements for the 2014 Fiscal Year be included in the Annual Report, as filed with the SEC on March 12, 2015.

March 18, 2015

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 2014 fiscal year, our NEOs were:

- Matthew L. Hyde, our Chief Executive Officer and President;
- Thomas R. Moran, our former Chief Financial Officer, Executive Vice President - Finance and Assistant Secretary; and
- Barry Kelley, our Executive Vice President - Stores and Wholesale.

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 Ronald Japinga, our former Executive Vice President-Merchandising, Replenishment and Logistics. Mr. Japinga resigned effective July 11, 2014.

Name & Age	Position Held & Hire Date	Work Experience and Other Information
Thomas R. Moran **Age:** 54	**Position:** Chief Financial Officer, Executive Vice President and Assistant Secretary **Hired:** 2007 **Resigned:** Effective 1/30/2015	**Work Experience** In his role as Chief Financial Officer during 2014 and up through his resignation effective January 30, 2015, Mr. Moran oversaw all of West Marine's financial activities, including all accounting functions, preparation of financial statements, monitoring of expenditures and liquidity, managing investment and taxation issues and recommending the capital structure of the business. Mr. Moran joined West Marine as Senior Vice President and CFO in January 2007 and on May 29, 2013, he was promoted to Executive Vice President, at which time he assumed additional responsibilities overseeing West Marine's information technology function. In August, 2014, Mr. Moran's scope of responsibilities were further expanded to include the real estate and visual merchandising departments. Prior to joining West Marine, 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 enjoyed many years of power-boating experience and exploring the sights of the Monterey Bay.
Barry Kelley **Age:** 52	**Position:** Executive Vice President-Stores and Wholesale **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. In July 2014, Mr. Kelley also assumed oversight of the logistics function and beginning in February 2015 his responsibilities increased to oversight of the real estate and visual merchandising departments. Mr. Kelley joined West Marine in December 1989, and prior to his promotion to Executive Vice President of Stores and Wholesale 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.

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

Our Compensation and Leadership Development Committee engages the services of the Compensation Adviser, who is an independent compensation consultant employed with FW Cook, to advise on Executive Compensation matters, including competitive compensation targets within the marketplace, and Company performance targets and analysis. As discussed in more detail in the CD&A below, our Executive Compensation program is designed to attract and retain a talented team of Executives who can deliver on our commitment to build long-term stockholder value. The Compensation and Leadership Development Committee believes our program is competitive in the marketplace, links pay to performance by rewarding our NEOs for achievement of short-term and long-term financial and strategic goals, and aligns our NEOs' interests with the long-term interests of our stockholders by providing a mix of performance and service-based equity awards. Specifically, a significant portion of compensation paid to our NEOs is based on the Company's financial performance.

Our Compensation and Leadership Development Committee believes stockholders should consider the following key components of our Executive Compensation programs and governance practices when voting on this Proposal:

Pay-for-Performance Objectives

Targeted Pay. We target Executive base salary, total cash compensation, and total direct compensation to approximate a reasonable range of our "Peer Group Benchmark Companies" (defined in the section below entitled "Decision Making Process" in the CD&A) for performance that meets expectations, with the opportunity for above-market median compensation only if performance exceeds expectations.

Pay Mix. Our Executive Compensation program includes a mix of fixed and variable compensation, including annual and long-term incentives that create a balance between short-term and long-term focus.

Annual Incentives. Our 2014 annual bonus program was designed to motivate and reward our Executives for achievements that position the Company for the future and which are directly tied to two key financial performance metrics: total Company sales and operating pre-tax profit, which measure top line growth and bottom line profitability. For 2014, the target expectations were $703 Million for total Company sales and $23.8 Million for pre-tax profit. These metrics were not met in 2014 and so no annual bonus was paid to our Executives.

Long-Term Incentives. Our 2014 equity awards for our Executives at the Divisional Vice President-level and above included a mix of performance-based restricted stock units ("PVUs"), and time-vested restricted stock units ("RSUs") with holding requirements and three-year vesting periods. PVUs were tied to the Company's achievement of its return on invested capital ("ROIC") goal, which is a key input to the calculation of economic profit and what we believe is an important factor in enhancing stockholder value. The Company did not meet its target ROIC goal of 6.34%, so no PVUs granted in 2014 will vest.

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 entire CD&A section below, which describes in more detail how our policies and procedures related to Executive Compensation operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table, set forth on page 43 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 "CD&A–Executive Summary–2014 Say-on-Pay Voting Results and Stockholder Outreach" section below.

At our 2011 annual meeting, and consistent with our Board's recommendations, our stockholders voted to hold an advisory vote on the approval of Executive Compensation on an annual basis. After consideration of this vote from our stockholders, 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, such next stockholder advisory vote will be held at our 2017 annual meeting of stockholders.

COMPENSATION DISCUSSION AND ANALYSIS

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 2014.

You should read this CD&A in conjunction with the narrative descriptions and detailed tables beginning on page 43 of this Proxy Statement.

A. EXECUTIVE SUMMARY

Company Overview and Summary of 2014 Business Results

West Marine, founded in 1968 by a sailor, is the largest omni-channel specialty retailer in our industry, exclusively offering boating supplies, gear, apparel, footwear and other waterlife-related products. Our customers include boat owners, professional marine service providers, and those new to West Marine who enjoy recreating on or around the water. With 279 retail store locations, two eCommerce websites (for our retail and professional services customers) and a call center, we are able to offer our customers the core boat products they need with the lifestyle products they want through any shopping channel they prefer.

Progress on our Growth Strategies:

Our key growth strategies -- *eCommerce, Store Optimization* and *Merchandise Expansion* -- are designed to reposition West Marine into a broader waterlife outfitter, while maintaining our position as the leading boat parts specialty retailer. These strategies expand our brand presence and provide an inviting customer experience with compelling product offerings. These strategies were developed with the oversight of our Board during our annual strategic planning process. The Board's depth of professional experience and areas of expertise, particularly in consumer products, and their retail industry knowledge, have been vital in understanding and shaping each strategy during our planning process. At least quarterly, our Board actively engages with us on determining our performance against our goals, and lends support and assistance in setting our strategic direction to ensure that our initiatives perform at a level which is reflective of the Company's long-term vision for success.

Under the Board's stewardship, we increased our investments in each of these initiatives with the goals of growing top line sales from core boating products and our merchandise expansion lines, increasing our customer base, and rebuilding our infrastructure to position West Marine for steady, long-term profitability. Our strategic goals are reflected in 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. Early in 2014, we launched our new westmarine.com website and experienced greater-than-anticipated disruption, which resulted in only modest eCommerce revenue growth of 1.4% for the year. However, once this upgraded platform stabilized our growth rate for domestic eCommerce recovered and, in the fourth quarter of 2014, we realized an increase of 11.7% (on a 13-week to 13-week comparative basis). The enhanced website offers our customers better functionality, relevant product information and a wider breadth of product offerings, including our merchandise expansion categories, which we believe will continue to drive growth and strengthen our omni-channel position. Also during 2014, we invested in people and systems to build a new wholesale website (portsupply.com), which successfully launched in January of 2015. This website serves our professional customers and, similar to other business-to-business websites, portsupply.com will help grow this portion of our business more rapidly, but on a smaller base than our retail consumer site. Early indicators reflect positive customer reaction. Our eCommerce channel represented 7.7% of our 2014 revenues, and we remain committed to our goal for eCommerce to represent 15% of total sales by 2019.

- *Store Optimization:* The second number in the 15/50 plan reflects our goal of delivering 50% of total sales from our consolidated and revitalized stores. We refer to these as "experience stores," as they provide a new shopping experience for our customers both in terms of store design and expanded product assortment. Prior to 2014, we focused on consolidating two or more stores into one larger location in our major markets to drive sales and profitability through an improved shopping experience with greatly expanded product assortments in what we believe to be better store locations. Beginning in 2014, we expanded this strategy to include "revitalizations" of select stores, which requires significantly less investment than new stores as it consists of light remodeling, space optimization, product assortment changes, and new product category introductions. The 11 stores we revitalized in 2014 delivered a 6.6% comparable store increase in the fourth quarter and this came from strength in both core boat parts sales, which grew in the low to mid-single-digits, and merchandise expansion products, which grew over 20%. With these early positive results, we plan to expand our store revitalization projects in 2015 to approximately 15 locations, while slowing the pace of store consolidations, as we completed the majority of consolidations that we had identified in prior years. Sales through our optimized stores represented approximately 42.4% of our total sales in 2014 and supports our goal to deliver 50% of our total sales through optimized stores by 2019.

Additionally, as a result of testing we performed in 2014, we started rolling out a very broad-based change that is aimed at improving sales in about 180 of our standard-sized traditional stores. These changes include product assortment updates, deepening inventory levels (primarily made up of non-perishable core boat parts) and adding merchandise expansion products in stores that have excess available space. We expect this initiative to increase the productivity of these traditional stores, primarily through gains from sales of core boat products. Through 2015, we will continue to measure the success of this initiative and as we learn from this work, we will refine our pace, scope and investments accordingly.

- *Merchandise Expansion:* Our eCommerce and store optimization strategies are supported by our merchandise expansion initiative. This strategy welcomes a broader group of customers who are passionate about recreating on or around the water by providing these customers with a wider selection of footwear, apparel, clothing accessories, fishing products, waterlife accessories, and paddlesports equipment, primarily through our larger-format stores and on our eCommerce website. Sales of this group of products increased by 14.1% from last year and comprised approximately 18.7% of our revenues.

2014 Key Financial Performance

We characterize 2014 as a year of continued investments in our strategic initiatives and of strengthening our business. We gained some benefit and momentum from our growth strategies and our experiences are helping to refine our investments and build good top line growth. However, this year also confirmed that repositioning our brand takes time.

The external environment also has generated a mix of challenges and successes. During the first half of the year, many of our markets experienced unusually cold weather which, in turn, resulted in 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 2014, 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. In addition, we believe our focused strategies to drive holiday sales were successful, enabling us to deliver 2.8% comparable store sales growth during the fourth quarter (adjusted to remove the impact of the extra week in fiscal 2014). However, we experienced higher costs than anticipated, which significantly impacted our profitability for the year.

2014 Key Results	
*	Net revenues for the 53-week period increased 1.9% compared to the 52-week period last year and net revenues for the fourth quarter increased 8.9% compared to the 13-week period in the prior year.
*	Excluding the impact of the 53rd week, comparable store sales increased by 0.1% for the year and by 2.8% for the fourth quarter, when compared to the comparable periods last year.
*	Pre-tax income was $4.0 million and earnings before interest, taxes, depreciation and amortization (“EBITDA”) was $22.6 million, compared to pre-tax income of $15.3 million and EBITDA of $30.7 million last year.
*	Net income and earnings per share were $1.9 million and $0.08, respectively, compared to net income of $7.8 million and $0.32 earnings per share last year. Excluding a $0.8 million tax valuation allowance, net income for fiscal 2014 was $2.8 million, or $0.11 per share.
*	The Company remained debt-free at year-end and had $101.1 million available on its revolving credit line at the end of the fiscal year.

In summary, we saw some positive results even with the impact of extreme weather patterns throughout the first half of the year, primarily driven by investments in our growth strategies. These strategies delivered encouraging early results, however they remain a relatively small, but growing, part of our business. The pace of our investments will continue through 2015, including additional capital investments, to further improve our eCommerce websites and to upgrade our information technology infrastructure. This work supports our omni-channel retail model, which is designed to provide a seamless customer experience across all shopping channels as we continue to reposition our Company into a broader waterlife outfitter.

Consistent with our pay-for-performance philosophy, because we did not achieve our financial goals for 2014, none of our Executives, including our NEOs, earned an annual cash bonus award for fiscal 2014 and no PVUs were earned by our Executives. For more information regarding our short and long-term incentive plans, see "Elements of Executive Compensation" below in this CD&A section.

2014 Say-on-Pay Voting Results and Stockholder Outreach

At our 2014 Annual Meeting, **99.1%** 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 designed to deliver stockholder value over the 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 communication with our stockholders, in 2014 we engaged the services of D.F. King, a proxy solicitation and corporate/financial communications firm. D.F. King's personnel, together with our CEO and former CFO, reached out to a diverse mix of our institutional investors (who, with our founder and Chairman's holdings, represent an estimated 85% of our outstanding stock) to discuss a variety of topics, including our business initiatives, our governance practices and our Executive Compensation program. Additionally, our former CFO and our 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. In particular, they acknowledged our continued efforts to unwind related party transactions with our Chairman, our positive stockholder rights positions, our performance-based short and long-term incentive plans, our stock ownership requirements for our NEOs, no single trigger change-in-control benefits, and our *Clawback Policy* for our NEOs. Our investors also acknowledged the steps we took to reduce stockholder dilution and burn rate by replacing stock options with RSUs and PVUs, by eliminating the broad distribution of equity awards to our associates and by executing a stock buyback program. With these changes in our equity practices, our share usage rates are now at peer median levels and our burn rate has stabilized at competitive levels. For more information on our stockholder communication efforts see "Stockholder Communications/Stockholder Engagement" under the section entitled "Corporate Governance Framework" above. We also know that our investors require a higher level of return on their investment in our Company. We are committed to delivering improved Total Shareholder Returns ("TSR") by continuing our focus on, and investment in, our strategic initiatives which are designed to deliver these results over the long-term. For more information see "Progress on our Growth Strategies" above under the section entitled "Company Overview and Summary of 2014 Business Results."

Effective Corporate Governance Reinforces Our Compensation Program

The following table highlights the changes we have made in our Executive Compensation program, including the compensation practices we have implemented over the last few years 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 in effect for NEOs	No employment agreements
Performance-based incentive pay: - Annual bonus based on two key financial metrics - Added PVUs to long- term incentives	- No guaranteed bonuses - No bonuses paid for 2014 (tied to Company financial performance)
Higher mix of performance-based (60%) to fixed (40%) compensation for Executives	- No year-over-year significant increases in fixed base salary or variable pay - CEO salary static since employment start date
Stock repurchase program adopted in 2013 and continued through 2014 (to mitigate stockholder dilution)	Shifted from stock options to full-value equity awards (RSUs and PVUs)
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 and unvested stock options and unearned PVUs not counted toward stock ownership
One-year holding period for equity awards purchased through *Stock Buying Plan*	Hedging or pledging of Company securities not permitted
- Require equity award retention ratios: * 50% of the after-tax shares for stock option exercises and sale of stock purchased through our *Stock Buying Plan* * 75% of the after-tax shares for sale of RSUs or PVUs - Directors and Executives required to maintain threshold throughout term of service	- *Equity Incentive Plan* prohibits without Stockholder Approval: * 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/PVUs valued at two times options/stock appreciation rights)	- Automatic acceleration of equity vesting on change-in-control not permitted - No change in control agreements in equity awards permitted
No single-trigger change in control for equity vesting (not automatic - requires Committee approval)	New individual severance agreements not permitted
Active Board and Committee oversight and risk management of compensation-related risks	No unlimited upside (bonus and PVUs are capped)
Reasonable Executive severance (well under three times base salary plus bonus)	Reasonable CEO compensation to next highest paid Executive (at only 1.8x)
Independent compensation committee consultant engaged	No other services provided to Company by compensation consultant
Continued stockholder and rating agency outreach	No restriction to stockholder accessibility to our Board or Compensation and Leadership Development Committee

See also "Other Key Governance Practices" on page 8 of this Proxy Statement.

<u>Executive Compensation Philosophy & Principles.</u>

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**
Base Salary	• Fixed • Reviewed annually • NEOs' salary are below peer group median • No increase in CEO or EVP- Stores & Wholesale in 2014 • 3% cost of living increase for other NEOs	• 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 to drive our success • Competitive for each role, responsibilities and experience • Targeted within the median range of our peer group
Short-Term Incentive Award	• Variable • Performance-based metrics ° Total sales (30%) ° Pre-tax profit (70%) • Minimum threshold for bonus eligibility • Payout capped at 200% of target	• Drive overall Company, business unit and individual performance year-to-year • Focus on growing net revenue, profitability, share of retail sales and delivering strategic business objectives • Target bonus amount is set as a percentage of base salary • Actual payout determined by financial performance • Target total cash (base salary + target bonus) designed to deliver cash compensation within the median range of peers
Long-Term Incentive Award	• Variable • 67/33% RSU to PVU mix • Eliminated stock option grants • Options and RSU values are based on appreciation in share price • PVU value is based on 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 • Based on stockholder and proxy firm feedback, ROIC was added as a performance metric in 2014 • Target long-term incentive award size designed to deliver target total direct compensation (base salary + target bonus + target long-term incentive) within a reasonable range of the market median • Upside rewards extraordinary performance
Health Benefits	• Fixed • NEOs participate in the same health plans as other associates	• Provide competitive levels of benefits that promote health and wellness
Retirement Plan	• Fixed • No defined benefit plan; only standard 401(k) offered to all associates, including our Executives	• Provide competitive levels of benefits that promote financial security • Attract and retain talented Executives
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 • Assists in attracting and retaining Executives

EXECUTIVE COMPENSATION PROGRAM PRINCIPAL COMPONENTS		
Component	**Key Characteristics**	**Link to Philosophy**
Post-Employment Compensation	• Fixed • All NEO Benefits provided under Executive Severance Plan • Contains mitigation provision on new employment • No severance agreements for new hires or promotions; Such Executives are covered under the *Executive Severance Plan* • No change-in-control agreements	• Provide temporary levels of income following termination of employment • Attract and retain talented Executives • Provide competitive benefits

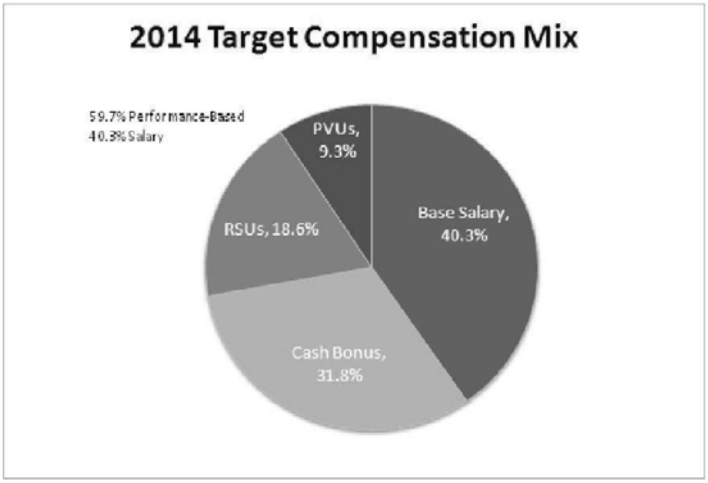
Pay-for-Performance

In accordance with our pay-for-performance philosophy, we believe that variable direct compensation based on performance should increase as the scope of an 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 as reflected in the following graphs (which exclude Ronald Japinga whose employment terminated in July of 2014).

2014 Target Total Direct Compensation

This chart reflects the total target compensation mix for fiscal 2014 based on the aggregate target compensation for our NEOs.

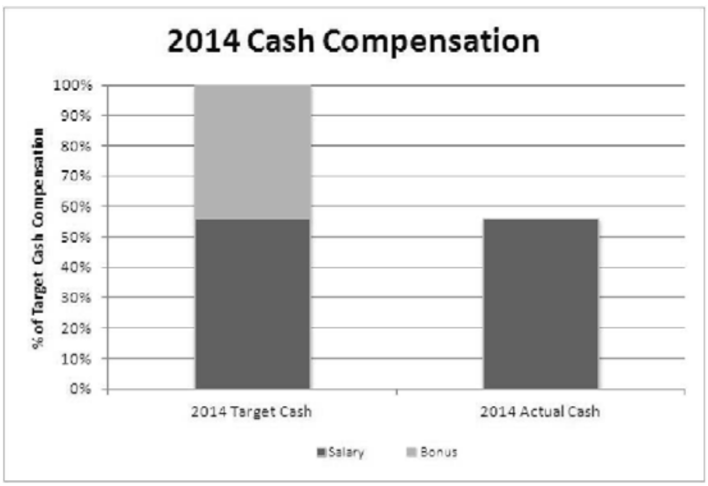
Target compensation mix is not the same as actual compensation for elements that are subject to performance contingencies.



2014 Realized Cash Compensation vs. Target

This chart shows the target cash compensation and actual cash compensation for fiscal 2014 based on the aggregate amounts for our NEOs, none of whom earned any cash bonus payments for 2014.

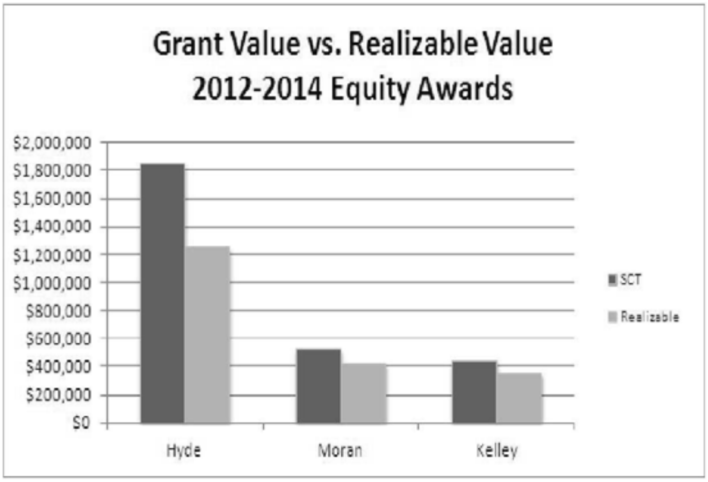
For 2014, our NEOs received, collectively, approximately 56% of their aggregate target cash compensation, which amount consisted of base salary.



2012 - 2014
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 date value of equity awards to our NEOs over the 2012 through 2014 fiscal years[(1)] to the realizable value.

Realizable value is calculated as the intrinsic value on December 31, 2014 of all stock option, RSU and PVU awards made to our NEOs between January 1, 2012 and December 31, 2014. This calculation is pre-tax and assumes that the NEOs held all RSUs and PVUs after vesting. If applicable, exercised stock options are valued at the realized gain upon exercise).



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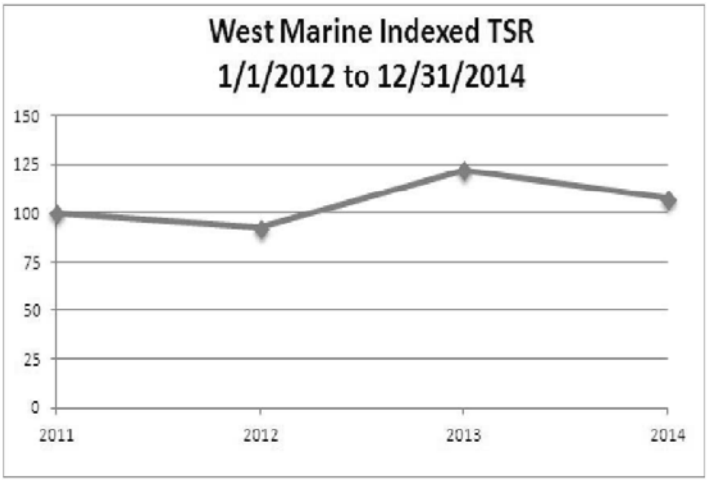
(1) Mr. Hyde was hired in 2012 and received grants in 2012, 2013 and 2014; Mr. Kelley was not an NEO at the time his 2012 and 2013 equity grants were made.

West Marine Indexed TSR 2012 - 2014

In aggregate, the realizable value of equity awards made to our NEOs during this period is -26.7% less than the Summary Compensation Table value of the corresponding awards. Over the same period, West Marine's TSR was 7%.[(1)]



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(1) 2012 - 2014 TSR was calculated using West Marine's stock closing price on the last trading day of each fiscal year as follows:
2011: 12/30/2011 = $11.63
2012: 12/28/2012 = $10.69
2013: 12/27/2013 = $14.14
2014: 01/02/2014 = $12.50

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 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 (see also the section entitled "Compensation Risk Analysis" below).

Our Compensation and Leadership Development Committee reviewed each component of Executive Compensation for 2014, including salaries, annual incentive awards, the value of outstanding equity awards (vested and unvested), perquisites and other benefits, and believes that the total mix of Executive Compensation was reasonable. 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 2014, our Committee again retained its Compensation Adviser 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. The Compensation Adviser 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 its Compensation Adviser to provide compensation-related services for our 2014 Executive Compensation program, our Committee, at its March 2014 meeting, considered the six independence factors set forth in the NASDAQ listing rules adopted pursuant to Exchange Act Rule 10C-1 and 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 13 of this Proxy Statement. FW Cook and the Compensation Adviser provide services only as directed by the Committee and have no other relationship with West Marine. There were no fees paid to FW Cook or the Compensation Adviser for services that were not related exclusively to Director and Executive Compensation during the 2014 Fiscal Year.

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 Committee (and sometimes the full Board) to review the performance of Executives at the vice-president level and above for the prior year. The Committee (and other invited Board members), without the CEO being present, also meet to review the CEO's performance and to discuss and approve 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 (apparel, specialty, automotive and home furnishing) within a reasonable sales range (between $200 million and $2 billion) and market cap (between $50 million and $1.5 billion) relative to West Marine's. Preference is given to companies who focus on lifestyle products.

In reviewing the results of the Compensation Adviser's study, the Committee slightly revised our 2014 peer group as reflected in the following table ("Peer Group Benchmark Companies"), with West Marine being positioned between the 25th percentile and the median in terms of the key size criteria:

2014 Peer Group Benchmark Companies ($ in millions)				
Company	Revenues ($)	Operating Income ($)	Operating Margin (%)	Market Cap ($)
Cabela's Incorporated	3,541	337	10	4,188
Fred's, Inc.	1,968	42	2	595
REI	1,931	137	7	n/a
The Finish Line, Inc.	1,526	107	7	1,230
Vitamin Shoppe	1,050	112	11	1,426
Big 5 Sporting Goods Corp.	989	47	5	422
Hibbett Sports, Inc.	847	121	14	1,519
Monro Muffler Brake, Inc.	798	81	10	1,444
Haverty Furniture Companies, Inc.	733	48	7	626
Zumiez, Inc.	711	75	11	897
West Marine, Inc.	**663**	**17**	**3**	**297**
Citi Trends*	644	(6)	(1)	227
MarineMax, Inc.	584	7	1	357
Kirkland's, Inc.	458	24	5	306
Trans World Entertainment Corporation	430	11	3	144
Destination XL Group*	395	4	3	354
Sports Chalet	354	(8)	(2)	17
75th Percentile	1,169	108	10	1,328
Median	**765**	**47**	**6**	**595**
25th Percentile	553	10	2	330
* New Peer Company for 2014, replacing Orchard Supply Hardware, which filed bankruptcy in June 2013.				

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 50^{th} 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 50^{th} 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 its Compensation Adviser. 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 2013 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.

In addition to the market data discussed above, our Committee also evaluates 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, internal equity considerations and other factors our Committee deems relevant at the time.

(1) The Compensation Adviser reviewed recent proxy statements filed by our 16 peer companies referenced in the table and the base salary, annual cash compensation and total cash compensation data from the annual Mercer LLC/National Retail Federation 2013 US Retail Compensation and Benefits Survey with respect to companies with revenues between $300 million and $700 million, which covered 22 retail companies of which two 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 Akzo Nobel, Inc. - Decorative Paints U.S., Build-A-Bear Workshop, Carter's Inc. - OshKosh B'Gosh, Inc., Christopher & Banks, Delhaize America Shared Services Group, LLC - Bottom Dollar Foods, Delhaize America Shared Services Group, LLC - Harveys Supermarket, Destination Maternity Corporation, Fifth & Pacific Companies, Inc. - Juicy Coutoure, Fifth & Pacific Companies, Inc. - Lucky Brand Jeans, Foot Locker, Inc. - Footlocker.com/Eastbay, Helzberg's Diamond Shops, Inc., Luxottica Retail US - Pearle Vision and Licensed Brands, Luxottica Retail US - Sears, Oxford Industries, Inc. - Tommy Bahama Group, Phillips-Van Heusen Corporation - Dress Shirt, The Disney Store, Valero Energy Corporation - Retail Marketing Division, Vera Bradley, Inc., V. F. Corporation - Contemporary Brands, V. F. Corporation - Sportswear, V. F. Corporation - Timberland and West Marine Products, 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.

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 the Compensation Adviser'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, cost containment and for manager-level associates, leadership skills. After the close of each fiscal year, individual performance is measured against these goals in evaluating increases to salary levels.

In February of 2014, our Compensation and Leadership Development Committee assessed the base salaries of our Peer Group Benchmark Companies provided by its Compensation Adviser and noted that the base salary for our CEO was positioned about 11.9% below the peer median and near the 25th percentile, while the other NEOs were positioned within 5% of the median. As a result, our Committee provided a modest merit increase to each NEO, except for our CEO, who declined to accept an increase, and Mr. Kelley, who received an increase in base salary in connection with his promotion to Executive Vice President – Stores and Wholesale in December of 2013.

The following shows a comparison of our NEOs' base salaries for fiscal years 2013 and 2014

Name	Base Salary		% Increase (2013 to 2014)
	FY2014	FY2013	
Matthew L. Hyde	$600,000	$600,000	—%
Thomas R. Moran	$360,256	$349,781	3%
Barry Kelley	$320,000	$320,000 (1)	—%
Ronald Japinga	$380,598 (2)	$369,513	3%

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

(2) Reflects Mr. Japinga's annualized salary. He resigned as Executive Vice-President-Merchandising, Replenishment and Logistics effective July 11, 2014, at which time his base salary ceased.

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, responsibility, and position within the Company. Our CEO's target bonus percentage in 2014 was 100% of his base salary. For our other NEOs, given the relatively flat base salaries over the prior year, our Committee increased the target bonus percentage for these NEOs from 50% to 60% to better align with target bonus opportunities at our Peer Group Benchmark Companies.

The following chart shows a comparison of our NEOs' annual cash bonus as a percentage of salary for fiscal years 2013 and 2014:

Name	Annual Cash Bonus Target As % of Base Salary	
	FY2014	FY2013
Matthew L. Hyde	100%	100%
Thomas R. Moran	60%	50%
Barry Kelley	60%	40%[(1)]
Ronald Japinga	60%	50%

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

The structure of our annual bonus plan ties a greater portion of our NEOs total cash compensation to performance-based metrics. In order to be eligible for a bonus payout, our 2014 bonus plan required the achievement of two financial metrics: pre-bonus, pre-tax profit (weighted at 70%) and total sales (weighted at 30%). The 2014 bonus plan was designed to pay 75% of the target bonus amount for achieving budget performance and needed to significantly outperform the annual budget to receive the 100% target bonus amount.

The following chart shows the potential bonus payouts which could have been earned by our NEO's for 2014 (in millions); however, no bonuses were paid because we failed to meet the minimum pre-tax profit threshold for the year:

Performance Metrics	⇨	Minimum $ Threshold	Minimum % Payout	Budget $ Threshold	Budget % Payout	Target $ Threshold	Target % Payout	Maximum $ Threshold	Maximum % Threshold	Actual $ Met	Actual % Met
Pre-bonus, Pre-tax Profit [(1)]	⇨	$11.9	14.0%	$23.8	52.5%	$26.6	70%	$43.6	140.0%	$4.5	—%
Total Company Sales	⇨	$650.0	6.0%	$703.0	22.5%	$725.0	30%	$729.0	60.0%	$675.8	—%
Total [(2)]	⇨		20.0%		75%		100%		200%		—%

(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 2014).

(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 200%.

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 and other the financial performance metrics are achieved. In furtherance of these goals, our stockholder-approved *Equity Incentive Plan* permits a variety of equity awards. Historically, we have provided our Executives long-term equity incentive compensation through awards of stock options. However, beginning 2011, our Committee began varying the mix of equity awards to include RSUs. Then, during 2013, the Committee continued to review best practices of our Peer Group Benchmark Companies, the recommendations from our stockholders and the analyses from proxy advisory firms to design our long-term incentive plan for 2014. As a result, in February of 2014, our Committee approved long-term incentive awards for Executives with a 67/33% ratio of RSUs to PVUs (the latter of which was tied to ROIC). The Committee believed that this split 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. We believe this long-term incentive plan provides the right balance of long-term focus on stockholder value creation with our compensation objective of retaining top leadership talent, particularly as we continue to evolve our Company from a core boating supply company to a broader waterlife outfitter.

The following chart shows a comparison of the equity awards granted to each of our NEOs for fiscal year 2013 and 2014:

Name	# PVUs Granted	PVU Value (1)	# RSUs Granted	RSU Value	Total # Granted	Total Grant Value (1)	# Options Granted	Options Value (1)	# RSUs Granted	RSU Value (1)	Total # Granted	Total Grant Value (1)
	FY 2014						FY 2013					
Matthew L. Hyde	13,333	$161,596	26,667	$323,204	**40,000**	**$484,800**	26,667	$108,850	26,667	$311,737	**53,334**	**$420,587**
Thomas R. Moran	5,500(2)	$66,660	11,000(2)	$133,320	**16,500**	**$199,980**	11,000(2)	$44,900	11,000(2)	$128,590	**22,000**	**$173,490**
Barry Kelley	5,500	$66,660	11,000	$133,320	**16,500**	**$199,980**	8,333(3)	$34,014	8,333(3)	$97,413	**16,666**	**$131,427**
Ronald Japinga	5,500(4)	$66,660	11,000(4)	$133,320	**16,500**	**$199,980**	11,000(4)	$44,900	11,000(4)	$128,590	**22,000**	**$173,490**

(1) Reflects the aggregate grant date fair value of 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. See "Executive Compensation - Summary Compensation Tables" for more detail.

(2) Mr. Moran resigned as CFO effective January 30, 2015, at which time all unvested equity awards were forfeited.

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

(4) Mr. Japinga resigned as Executive Vice President-Merchandising, Replenishment and Logistics effective July 11, 2014, at which time all unvested equity awards were forfeited.

RSUs awarded to our Executives in 2014 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. Vesting of PVUs awarded in 2014 was tied to ROIC, which goal was set at the beginning of our 2014 fiscal year. The Company viewed 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 percentage of the PVU target awards earned was determined pursuant to a payout matrix established by the Committee, with any actual PVUs earned subject to additional vesting requirements. Similar to RSUs, any PVUs earned would 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. Accordingly, the Executive had to remain continuously employed with the Company during the year in which the PVU vested before he/she vested in any of the PVUs for that year. Following vesting, upon determination by our Committee, such PVUs were to be paid out in shares of West Marine common stock. The payout matrix set payout percentages ranging from 0% to 150%, relative to the Company's actual ROIC results for the 2014 Fiscal Year. No PVUs were to be earned if the 2014 ROIC performance goal at year end was below 5.61%. Additionally, PVUs in excess of 150% were not to be earned under any circumstances and the number of PVUs earned at performance levels between threshold and target and between target and maximum were to be interpolated on a straight-line basis.

The chart below reflects the ROIC performance targets and payout levels upon achievement of certain performance levels. However, no PVUs were earned as our fiscal year 2014 ending ROIC performance was below the 5.61% threshold:

Performance Level	FY 2014 Ending ROIC Performance Goal Target	PVU % Awarded If ROIC % was Achieved	2014 Actual ROIC Achieved	2014 - 2017 Actual PVUs Awarded
Threshold	5.61%	50%	4.0%	0
Target	6.34%	100%		
Maximum	6.87%	150%		

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 (due to the introduction of the PVUs), 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, PFO 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.

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 we have an established a *Clawback Policy* for our NEOs 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 reward 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 5 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 order to ensure that our NEOs take full account of risks to the Company and its stockholders in their decision-making, and to reduce such risks wherever practicable, our Board adopted a *Clawback Policy* and delegated authority to its Compensation and Leadership Development Committee to administer it.

In the event of a material financial restatement (whether or not fraud or other intentional misconduct was involved), other than a restatement due to a change in financial accounting rules, 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, if any) 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,* considering factors such as: the likelihood of success in achieving the recovery, given the anticipated cost and management effort required; whether the affected NEOs have already paid taxes on the compensation subject to recovery; whether the assertion of a claim for recovery may prejudice the interests of the Company, including in any related proceeding or investigation; the passage of time since the issue giving rise to the recovery occurred; and whether there is any pending legal proceeding relating to such event.

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	4x
Executive Vice Presidents	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
- Earned PVUs (i.e., after performance is determined), whether or not vested

Ownership shares do not include:
- Unvested or vested stock options
- Unearned PVUs

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.

Compliance Review

Our Compensation and Leadership Development Committee reviews ownership levels on a quarterly basis and compliance with the terms of this policy by our covered Directors and Executives. Throughout 2014, all Directors and Executives subject to this policy were in full compliance with the stock holding requirements.

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 health or pension benefits or car allowances. However, our Affiliated Director, Mr. Repass, participates on a non-discriminatory basis in our group health plan and pays at the same contribution level as that charged to our associates electing similar family coverage, and all of our associates employed for at least 20 years, including Executives, receive a lifetime associate discount for purchases of products we offer. In addition, some of our long-tenured Board members also have been provided with this same lifetime discount.

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 Divisional Vice Presidents to $1,500,000 for our CEO. However, Mr. Hyde did not elect to receive additional life insurance during 2014. 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 associates, ranging from store and other manager-level associates to Executives, and we have assisted such individuals with relocation expenses, which may include temporary housing allowances, transportation allowances and/or cost of living assistance. These benefits generally are individually negotiated. In 2014, we did not pay any sign-on bonuses or reimburse any relocation expenses to any of our NEOs.

Our NEOs and other 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, after five years of service, all store managers and general managers, as well as Port Supply market team managers, and support center and distribution center associates at a senior manager-level and above, become eligible for a three-week sabbatical, while associates at the Divisional Vice President-level and above become eligible for a four-week sabbatical. This sabbatical plan was created by our founder and Chairman, Randolph K. 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 burnout, 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 2014, 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.

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 benefits, 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 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, approved our amended *West Marine, Inc. Executive Officer Severance Plan* (the "Severance Plan") effective for any Executive at the Vice President level who was hired or promoted after such date. This *Severance Plan* is in effect for our CEO, Matthew L. Hyde, and our Executive Vice President-Stores and Wholesale, Barry Kelley. See "Other NEO Severance Arrangements" below for severance benefits paid to our former CFO, Thomas R. Moran.

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, with the first payment including all amounts due from the beginning of the severance period to the date of such first payment.
- Cash Severance is reduced by the amount of compensation earned or paid either as a result of new employment or serving as an independent consultant during the severance period. The Company is obligated to pay any shortfall.

- If termination occurs during the first six months of a fiscal year, the Executive will not receive any cash bonus for that year. If termination occurs during the second half of a fiscal year, the Executive will receive a pro-rata bonus, if any.
- An Executive may exercise his or her vested stock options in accordance with the terms of the applicable option award agreement (generally 90 days). Unexercised vested stock options and unvested stock options, RSUs or PVUs are automatically forfeited on termination.
- All severance benefits immediately cease upon death.
- Severance benefits terminate if the Executive is re-employed by West Marine.
- We may withhold for payroll taxes and the Executive is responsible for all taxes.
- Payments are subject to Section 409A of the Code for any Executive defined as "specified employee" thereunder.

For a summary of the compensation and benefits that would have been paid to Messrs. Hyde and Kelley if their employment with West Marine had terminated as of January 3, 2014, see "NEO Post-Employment Summary Payment Tables" on page 47 of this Proxy Statement.

Other NEO Severance Arrangements

Messrs. Moran and Japinga were the only remaining NEOs with separate severance agreements entered into prior to the effective date of the *Severance Plan*. Our former Chief Financial Officer, Executive Vice President-Finance and Assistant Secretary, Thomas R. Moran, resigned his position effective January 30, 2015. In view of Mr. Moran's eight-year tenure with the Company, on January 16, 2015, our Board approved severance benefits payable to Mr. Moran which are consistent with those provided for under his employment agreement with the Company as follows:

- A cash severance payment of $360,256, an amount equal to fifty-two (52) weeks ("Severance Period") of his annual base salary, payable in substantially equal installments over the Severance Period on the Company's regularly-scheduled payroll dates, subject to applicable deductions and withholdings. This cash severance may be eliminated or reduced to the extent Mr. Moran earns or is paid compensation as a result of new employment or serving as an independent consultant, and the Company is obligated to pay any shortfall;
- All unvested stock options, RSUs and PVUs as of the termination date were forfeited and Mr. Moran may exercise any vested stock options for a 90-day period following his employment termination date;
- Mr. Moran did not receive any annual cash bonus for 2014 or other benefits under the separation agreement, except that he will be offered continued health care benefits required to be offered under Federal or state law (e.g., COBRA); and
- Mr. Moran is bound by, among other provisions included in the separation agreement, a full release of all claims related to Mr. Moran's employment with the Company, and non-solicitation, confidentiality, cooperation and non-disparagement covenants.

Mr. Japinga, our former Executive Vice President-Merchandising, Replenishment and Logistics, voluntarily resigned his position effective July 11, 2014 and received no severance benefits.

J. TAX DEDUCTIBILITY

Section 162(m) of the Code limits the deductibility of compensation in excess of $1 million, in the aggregate, 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. Our *Equity Incentive Plan* is currently structured with the intention that PVUs qualify as "performance based" compensation that is not subject to the $1 million deduction limit under Section 162(m).

For Section 162(m) purposes, 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. All compensation paid to our Executives in the 2014 Fiscal Year were 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 the Annual Report.

March 18, 2015

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 Table

The following table sets forth certain information for fiscal years 2014, 2013 and 2012 concerning the compensation for services in all capacities to West Marine and its subsidiaries earned by, awarded to, or paid to our current and former NEOs:

Name and Principal Position	Year	Salary ($)(4)	Stock Awards			Non-Equity Incentive Plan Compensation ($)(8)	All Other Compensation ($)(9)	Total ($)
			RSU Awards ($)(5)	PVU Awards ($)(6)	Option Awards ($)(7)			
Matthew L. Hyde Chief Executive Officer	2014	600,000	323,204	161,596	—	—	5,775	1,090,575
	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[(1)] Former Chief Financial Officer	2014	358,240	133,320	66,660	—	—	8,589	566,809
	2013	346,571	128,590	—	44,900	—	6,817	526,878
	2012	331,563	84,563	—	67,756	93,788	7,738	585,408
Barry Kelley[(2)] Executive Vice President-Stores & Wholesale	2014	320,000	133,320	66,660	—	—	18,258	538,238
	2013	286,500	97,413		34,014	—	8,864	426,791
Ronald Japinga[(3)] Former Executive Vice President-Merchandising, Replenishment and Logistics	2014	210,125	133,320	66,660	—	—	32,719	442,824
	2013	367,442	128,590	—	44,900	—	19,590	560,522
	2012	357,067	84,563	—	67,756	101,002	13,147	623,535

(1) Mr. Moran remained employed as West Marine's CFO throughout the entire 2014 Fiscal Year and his annual base salary was $360,256. He resigned his position on January 16, 2015 and his last date of employment was January 30, 2015. All unvested equity awards were forfeited as of Mr. Moran's termination date. For more information regarding payments and other benefits paid to Mr. Moran, see "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 40 and "NEO Post-Employment Summary Payment Tables" on page 47 of this Proxy Statement.

(2) Mr. Kelley was promoted to the position of Executive Vice President-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.

(3) Mr. Japinga resigned as Executive Vice President-Merchandising, Replenishment and Logistics, on June 25, 2014 and his last date of employment was July 11, 2014. Mr. Japinga's annual base salary was $380,598 until his resignation. All unvested equity awards were forfeited as of Mr. Japinga's termination date and he received no severance benefits.

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

(5) 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 2014, see Note 2 to our consolidated financial statements set forth in our Annual Report ("2014 Financial Statements").

(6) This column shows the aggregate grant date fair value of PVUs granted in 2014. 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 2014, see Note 2 to our 2014 Financial Statements. Assuming the highest level of the PVU awards granted in 2014, the grant date values would have been $242,394 for Mr. Hyde, $99,990 for Mr. Kelley, $99,990 for Mr. Moran, and $99,990 for Mr. Japinga. However, as the performance metric for the PVUs granted in 2014 was not met, no PVUs were earned by our NEOs. For more information see "Compensation Discussion and Analysis–Elements of Executive Compensation-Long-Term Incentive Compensation."

(7) This column shows the aggregate grant date fair value of stock options granted in each year presented. No stock options were granted to our NEOs in 2014. 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 2014, see Note 2 to our 2014 Financial Statements.

(8) No annual performance bonus was earned in 2014 or 2013. Amounts for 2012 represent a performance bonus earned for fiscal year 2012, paid in 2013. For more information see "Compensation Discussion and Analysis–Elements of Executive Compensation-Annual Cash Incentive Compensation (Bonus)."

(9) The amounts reported as All Other Compensation for 2014 consist of the following:

Name	401(k) Plan Matching	Life Insurance Premiums	Payout of Accrued Paid-Time-Off
Matthew L. Hyde	$5,775	—	—
Thomas R. Moran	4,729	$3,860	—
Barry Kelley	4,265	1,686	$12,308
Ronald Japinga	1,247	—	31,472[(1)]

(1) Reflects the payout of all accrued paid-time-off to Mr. Japinga on his last date of employment of July 11, 2014.

Grants of Plan-Based Awards in 2014

The following table sets forth information regarding certain plan-based awards granted to our NEOs during fiscal year 2014.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Stock Awards						
				Equity Award Grant Date	Equity Award Date Approved[2]	Estimated Future Payouts of PVUs Under Equity Incentive Plan Awards[3]			Awards of RSUs Under Equity Incentive Plan (#Sh)	Grant Date Fair Value of Stock Awards ($)[4]
	Threshold ($)	Target ($)	Maximum ($)			Threshold (#Sh)	Target (#Sh)	Maximum (#Sh)		
Matthew L. Hyde	120,000	600,000	1,200,000	March 3, 2014	February 21, 2014	6,667	13,333	20,000	26,667	484,800
Thomas R. Moran[5]	42,989	214,944	429,888	March 3, 2014	February 21, 2014	2,750	5,500	8,250	11,000	199,980
Barry Kelley	38,400	192,000	384,000	March 3, 2014	February 21, 2014	2,750	5,500	8,250	11,000	199,980
Ronald Japinga[6]	25,215	126,075	252,150	March 3, 2014	February 21, 2014	2,750	5,500	8,250	11,000	199,980

(1) The Company did not achieve threshold performance and, therefore, no annual performance bonus was earned in 2014. 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 equity awards on February 21, 2014, but the awards were made effective as of March 3, 2014 in accordance with the terms of our *Equity Incentive Plan* and *Equity Award Grant Policy*, with grant date fair value determined as of the effective date.

(3) Represents the number of PVU awards at the threshold, target and maximum levels equaling 50%, 100% and 150%, respectively. Although PVU awards were granted, the threshold performance targets were not met and no PVUs were earned in 2014.

(4) Represents the aggregate grant date fair value of the PVU and RSU awards. For a description of the methodology and assumptions used to determine the grant date fair market value, see Note 2 to the 2014 Financial Statements. The Company did not achieve the threshold performance targets and, therefore, no PVUs were earned in 2014. For more information, see "Compensation Discussion and Analysis–Elements of Executive Compensation-Long-Term Incentive Compensation."

(5) Mr. Moran, our former Chief Financial Officer, resigned effective January 30, 2015. In 2014, Mr. Moran was granted PVU and RSU awards on March 3, 2014; however, no PVUs were earned and the RSU awards were forfeited on Mr. Moran's termination date.

(6) Mr. Japinga, our former Executive Vice President of Merchandising, Replenishment and Logistics, resigned effective July 11, 2014. In 2014, Mr. Japinga was granted PVU and RSU awards on March 3, 2014; however, no PVUs were earned and the RSU awards were forfeited on Mr. Japinga's termination date.

Under the *Severance Plan*, Messrs. Hyde and Kelley, 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 the severance benefits approved by our Board, Mr. Moran has the right to exercise any vested stock options for a period of 90 days following his employment termination date of January 30, 2015. Any vested options which are not exercised during that 90-day period will be forfeited by Mr. Moran.

Under our *Equity Incentive Plan* and his applicable option award agreements, Mr. Japinga had the right to exercise any vested stock options for a period of 90 days following his employment termination date of July 11, 2014. Any vested options which were not exercised during that 90-day period were forfeited by Mr. Japinga.

For more information, see “Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 40 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 and PVU awards held by our NEOs as of January 3, 2015.

Name	Option Awards				Stock Awards			
					RSUs		PVUs	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Number of Unearned PVUs That Have Not Vested (#)	Market Value of Unearned PVUs That Have Not Vested ($)
Matthew L. Hyde	— (1)	— (1)	— (1)	— (1)	26,667(4)	333,338	13,333(5)	161,596(6)
	8,800	17,867(2)	11.6900	June 3, 2020	17,867(4)	223,338	—	—
	66,000	34,000(2)	11.8400	July 16, 2019	13,600(4)	170,000	—	—
Thomas R. Moran	— (1)	— (1)	— (1)	— (1)	11,000(4)	137,500	5.500(5)	66,660(6)
	3,630	7,370(2)	11.6900	June 3, 2020	7,370(4)	92,125	—	—
	10,890(7)	5,610(2)	10.2500	June 1, 2019	2,806(4)	35,075	—	—
	16,500(7)	—(2)	10.3600	June 1, 2018	—	—	—	—
	33,000	—(3)	10.9700	June 1, 2015	—	—	—	—
Barry Kelley	— (1)	— (1)	— (1)	— (1)	11,000(4)	137,500	5.500(5)	66,660(6)
	2,749	5,584(2)	11.6900	June 3, 2020	5,584(4)	69,800	—	—
Ronald Japinga(8)	— (1)	— (1)	— (1)	— (1)	—	—	—	—

(1) No stock options were granted to our NEOs in 2014.

(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 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.

(3) 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.

(4) RSU grants made in 2012, 2013 and 2014 vest in three installments of 33%, 33% and 34% on each anniversary of the grant date.

(5) Represents the number of PVU awards at target level. Although PVU awards were granted, the threshold performance targets were not met and no PVUs were earned in 2014. For more information, see "Compensation Discussion and Analysis–Elements of Executive Compensation-Long-Term Incentive Compensation."

(6) Represents the grant date fair value of the PVU awards. For a description of the methodology and assumptions used to determine the grant date fair market value, see Note 2 to the 2014 Financial Statements. The Company did not achieve the threshold performance targets and, therefore, no PVUs were earned in 2014. For more information, see "Compensation Discussion and Analysis–Elements of Executive Compensation-Long-Term Incentive Compensation."

(7) Mr. Moran, our former Chief Financial Officer, resigned effective January 30, 2015. Mr. Moran was granted RSU and PVU awards on March 3, 2014, however, the RSU awards were forfeited on Mr. Moran's resignation date and the PVU awards were never earned. Mr. Moran exercised stock options for 27,390 shares of our common stock and sold the underlying shares in March 2015. For more information, see "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" and “NEO Post-Employment Summary Payment Tables.”

(8) Mr. Japinga, our former Executive Vice President of Merchandising, Replenishment and Logistics, resigned effective July 11, 2014. Mr. Japinga received RSU and PVU awards on March 3, 2014, however, the RSU awards were forfeited on Mr. Japinga's resignation date and the PVU awards were never earned. All exercisable stock options were underwater during the 90-day exercise window and as a result, Mr. Japinga did not exercise any stock options during 2014. For more information, see "Compensation Discussion & Analysis-Executive Summary-Post Employment & Severance Arrangements/No Change-in-Control Agreements" and “NEO Post-Employment Summary Payment Tables.”

Option Exercises and Stock Vested

No stock options were granted, and no previously granted and vested options were exercised in 2014 by our NEOs. No PVUs were earned in 2014 as the Company did not achieve threshold performance. For more information, see "Compensation Discussion and Analysis–Elements of Executive Compensation-Long-Term Incentive Compensation." The following table sets forth information related to the vesting of RSUs during the 2014 Fiscal Year.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Matthew L. Hyde[1]	13,200	131,340 [5]
	8,800	89,056 [7]
Thomas R. Moran[2]	5,471	55,202 [6]
	3,630	36,736 [7]
Barry Kelley[3]	3,728	37,616 [6]
	2,749	27,820 [7]
Ronald Japinga[4]	5,471	55,202 [6]
	3,630	36,736 [7]

(1) Mr. Hyde was awarded 40,000 RSUs on July 16, 2012 with a vesting to occur in three equal installments, on July 16, 2013, July 16, 2014 and July 16, 2015. Mr. Hyde also was awarded 26,667 RSUs on June 3, 2013 with a vesting to occur in three equal installments, on June 3, 2014, June 3, 2015 and June 3, 2016.

(2) 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 and the first two tranches vested on June 1, 2013 and June 1, 2014, respectively. The third tranche of this award was forfeited on Mr. Moran's last date of employment of January 30, 2015. Mr. Moran also was awarded 11,000 RSUs on June 3, 2013 and the first tranche vested on June 3, 2014. The second and third tranches were forfeited on Mr. Moran's last date of employment of January 30, 2015. Mr. Moran exercised 27,390 stock options and sold the underlying shares in March 2015.

(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. Mr. Kelley also was awarded 8,333 RSUs on June 3, 2013 with a vesting to occur in three equal installments, on June 3, 2014, June 3, 2015 and June 3, 2016.

(4) 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 and the first two tranches vested on June 1, 2013 and June 1, 2014, respectively. The third tranche of this award was forfeited on Mr. Japinga's last date of employment of July 11, 2014. Mr. Japinga also was awarded 11,000 RSUs on June 3, 2013 and the first tranche vested on June 3, 2014. The second and third tranches were forfeited on Mr. Japinga's last date of employment of July 11, 2014.

(5) Based on a price per share of $9.95, which was the average share price of West Marine's common stock on the NASDAQ Global Market on July 16, 2014, the date the RSUs vested.

(6) Based on a price per share of $10.09, which was the average share price of West Marine's common stock on the NASDAQ Global Market on May 30, 2014, the date the RSUs vested.

(7) Based on a price per share of $10.12, which was the average share price of West Marine's common stock on the NASDAQ Global Market on June 3, 2014, the date the RSUs vested.

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* if his employment with West Marine had terminated as of January 3, 2015. 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 40 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	$ 38,815	$ 38,815	$ 38,815	$ 38,815	$ 38,815
Total:	$ 38,815	$ 638,815	$ 38,815	$ 638,815	$ 38,815

(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	—	—	—	—	$ 750,000 [2]
Accrued vacation pay	$ 21,627	$ 21,627	$ 21,627	$ 21,627	21,627
Total:	$ 21,627	$ 341,627	$ 21,627	$ 341,627	$ 771,627

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

(2) In 2014, Mr. Kelley's life insurance proceeds increased to $750,000 as a result of his promotion to Executive Vice President.

Although Thomas R. Moran was our CFO/NEO during the entire 2014 Fiscal Year, he resigned his position effective January 30, 2015 and our Board approved severance benefits commensurate with his prior agreement. See "Compensation Discussion and Analysis–Post Employment & Severance Arrangements/No Change-in-Control Agreements" on page 40 of this Proxy Statement for a full description of the severance benefits paid to Mr. Moran.

Ronald Japinga voluntarily resigned his position as Executive Vice President-Merchandising, Replenishment and Logistics effective July 11, 2014, and received no severance benefits.

Annual Compensation Package

Our Board believes that Director compensation should be competitive with other companies of similar size and performance and that a significant portion be paid in the form of common stock to align the interests of Directors with those of our stockholders.

In evaluating the appropriateness of our non-employee and Affiliated Director compensation, our Compensation and Leadership Development Committee generally commissions its Compensation Adviser to conduct a comparative study of non-employee and Affiliated Director compensation biennially. In September of 2014, our Compensation and Leadership Development Committee commissioned its Compensation Adviser to perform an updated study of Director compensation for the same peer group used for Executive Compensation.

The Compensation Adviser reported that median peer cash and equity compensation had increased significantly since the last study was performed, reflecting larger cash retainers and equity grants across the board, along with higher peer stock prices at companies granting a fixed number of shares. His study further reflected that Board retainer and meeting fees were aligned with peer median, but that the peer group's additional retainer for the Affliliate Chairman and Lead Independent Director varied significantly, due to a wide range in the scope of responsibilities for these roles. The Compensation Adviser further noted that West Marine's non-employee Director compensation program was positioned near the peer group 25th percentile in terms of total annual compensation value, with cash compensation positioned just below the peer group median, and the annual equity component positioned near the 25th percentile. The Compensation Adviser juxtaposed this equity position against the peer group's stock ownership requirement, noting that West Marine required stock ownership by its Directors at 6x the annual retainer (which is more rigorous than that of the the peer group which ranged from 1x to 5x) and therefore fell above the peer group's 75th percentile.

Given these results, the Compensation Adviser recommended to the Committee that it increase the value of equity awards to all Board members to bring compensation more in line with peer companies, as well as increase the retainer for the Chairman, the Lead Independent Director and the Audit Committee Chair, to reflect the scope of each such role within the Company's Board structure.

The Compensation and Leadership Development Committee and the Board discussed and considered the Compensation Adviser's recommendations. However, the Board noted the challenging financial results in the last two years, the fact that management had not been paid any annual cash bonuses in the last two years nor did they earn any PVUs for 2014. As a result, upon the Committee's recommendation, our Board elected not to approve any changes to Director compensation for the 2015 Fiscal Year as reflected in the following chart, and that compensation would continue to be re-evaluated when the Company demonstrates increased profitability as it continues its repositioning to a broader waterlife outfitter:

DIRECTOR COMPENSATION ITEM(1)	COMPENSATION ADVISER RECOMMENDATIONS FOR 2015	APPROVED FY 2015 DIRECTOR COMPENSATION
Board Retainer	No change	• $40,000
Board Meeting Fee	No change	• No fees up to seven scheduled (plus two unscheduled) meetings • $2,000 per any additional meeting
Compensation and Leadership Committee Retainer	No change	• Member: $7,500 • Chair: $15,000
Nomination and Governance Committee Retainer	No change	• Member: $5,000 • Chair: $10,000
Audit and Finance Committee Retainer	• Member: No change • **Chair: $25,000**	• Member: $13,000 • Chair: $20,000
Lead Director Retainer	No change as long as the Board believes the compensation reflects the scope of these roles	• $15,000
Chairman of Board Retainer(2)		• $115,000(3)• No other cash/Board fees • No equity awards
Annual Equity Grant(4)	• **$65,000**	• $50,000

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

(2) Our Chairman, Randolph K. Repass, is an Affiliated Director and started receiving his $115,000 retainer in March 2013. Mr. Repass beneficially owns 6,486,076 shares, or approximately 26.4%, 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 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.
- 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.

Our CEO, receives no separate compensation for serving on the Board.

Non-Employee Director Summary Compensation Table

The following table sets forth certain information for fiscal year 2014, 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 ($)	Stock Awards ($)(1)	Total ($)
Randolph K. Repass(2)	115,000	—	115,000
Dennis F. Madsen	60,000	50,017	110,017
Barbara L. Rambo	85,500	50,017	135,517
James F. Nordstrom, Jr.	47,500	50,017	97,517
Robert D. Olsen	53,000	50,017	103,017
Alice M. Richter	65,000	50,017	115,017
Christiana Shi	60,500	50,017	110,517

(1) This column shows the aggregate grant date fair value of restricted stock awards granted in 2014 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 2014, see Note 2 to the 2014 Financial Statements.

(2) Mr. Repass is an Affiliated Director and receives a retainer for service as Chairman.

The following table sets forth information regarding stock options and restricted stock awards held by Directors (other than our CEO, Matthew L. Hyde) and outstanding as of January 3, 2015:

	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[(2)]	—	—	—	—	—	—
Dennis F. Madsen	—	—	—	—	4,962	62,025
	4,664	—	$12.3300	May 17, 2019		
	2,027	—	$9.8700	May 19, 2019		
James F. Nordstrom, Jr.	—	—	—	—	4,962	62,025
Robert D. Olsen	—	—	—	—	4,962	62,025
Barbara L. Rambo	—	—	—	—	4,962	62,025
Alice M. Richter	—	—	—	—	4,962	62,025
Christiana Shi	—	—	—	—	4,962	62,025

(1) Based on a price per share of $12.50 which was the closing share price of our common stock on the NASDAQ Global Market on January 2, 2015.

(2) Mr. Repass is an Affiliated Director and does not receive any equity awards for Board service.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information about West Marine's equity compensation plans as of January 3, 2015. 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	1,091,078 (1)	$ 10.95 (1)	1,538,853 (2)
Equity compensation plans/arrangements not approved by securityholders	—	—	—

(1) Pertains to stock options outstanding under the *Equity Incentive Plan*. Does not include 348,163 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, 2015.

(2) Consists of shares of common stock reserved for future issuance under the *Equity Incentive Plan*. Does not include 346,981 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 23, 2015. As of the close of business on March 23, 2015, there were outstanding 24,546,620 shares of common stock of West Marine.

	Common Stock Beneficially Owned as of March 23, 2015[1]		
Beneficial Owner	**Number of Shares**		**Percent**
Randolph K. Repass	6,486,076	(2)	26.4%
Matthew L. Hyde	115,879	(3)	*
Barry Kelley	78,807	(4)	*
Dennis F. Madsen	23,537	(5)	*
James F. Nordstrom, Jr.	9,015	(5)	*
Robert D. Olsen	9,015	(5)	*
Barbara L. Rambo	24,827	(5)	*
Alice M. Richter	27,203	(5)	*
Christiana Shi	16,922	(5)	*
All Directors and current executive officers as a group (9 persons)	6,791,281	(6)	27.4%
Thomas R. Moran	80,561	(7)	*
Ronald Japinga	49,823		*
Franklin Resources, Inc.	3,585,519	(8)	14.6%
Royce & Associates, LLC	2,232,975	(9)	9.1%
Dimensional Fund Advisors LP	1,962,133	(10)	8.0%
Select Equity Group, L.P.	1,271,214	(11)	5.2%

* 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. Includes 234,600 shares held by Mr. Repass' spouse, 274,915 shares held in trust for Mr. Repass' minor son, 145,000 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 83,600 shares. Includes 45,611 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: Barry Kelley, 43,748 shares. Includes RSUs that vest in 60 days as follows: Barry Kelley, 16,433 shares.

(5) Includes stock options exercisable within 60 days to purchase shares as follows: Dennis F. Madsen, 6,691 shares. Includes RSUs that vest on May 15, 2015 as follows: Dennis F. Madsen, 4,962 shares; James F. Nordstrom, Jr., 4,962 shares; Robert D. Olsen, 4,962 shares; Barbara L. Rambo, 4,962 shares; Alice M. Richter, 4,962 shares; and Christiana Shi, 4,962 shares.

(6) Includes stock options exercisable within 60 days to purchase 134,039 shares and RSUs that vest in 60 days equaling 91,816 shares.

(7) Includes stock options exercisable 90 days after Mr. Moran's last date of employment of January 30, 2015 to purchase 36,630 shares and RSUs that vested as of Mr. Moran's last date of employment equaling 12,505.

(8) 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 10, 2015 reporting beneficial ownership as of December 31, 2014 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.

(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 30, 2015 reporting beneficial ownership as of December 31, 2014 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 Dimensional Fund Advisors LP is based solely on a statement on Schedule 13G/A filed February 5, 2015 reporting beneficial ownership as of December 31, 2014 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 1,900,711 shares. The business address for Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(11) 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 13, 2015 reporting beneficial ownership as of December 31, 2014. Select Equity Group and Select Equity Group L.P. has dispositive and voting power over 1,1,271,214 shares. Mr. Loening is the majority owner of Select Equity Group and managing member of its general partner. The business address for Select Equity Group and Mr. Loening is 380 Lafayette Street, 6th Floor, New York, New York, 10003.

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 29, 2013 to January 3, 2015, our NEO, Directors and greater than 10% stockholders filed on a timely basis all reports due under Section 16(a), with the exception of our NEOs, Messrs. Hyde, Moran, Japinga and Kelley, for whom the Company filed Form 4's late in connection with equity grants made in March of 2014, and Ms. Rambo, for whom the Company filed a Form 4 late in connection with her exercise and sale of stock options during the same March timeframe, resulting from the Company's administrative error and/or untimely communication from the broker regarding these transactions.

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 the Annual Report. 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 10, 2015

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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 January 3, 2015

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 27, 2014, 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 $250.2 million based on the closing sale price of $10.29, 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 6, 2015
Common stock, $.001 par value per share	24,483,745 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 2015	Part II, Item 5 and Part III

WEST MARINE, INC.
2014 FORM 10-K ANNUAL REPORT
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PRELIMINARY NOTE

This report is for the year ended January 3, 2015. 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 2014, 2013 and 2012 in this report refer to our fiscal years ended on January 3, 2015, December 28, 2013 and December 29, 2012, respectively. Fiscal year 2014 was a 53-week year, while both fiscal years 2013 and 2012 were 52-week years.

PART I

ITEM 1—BUSINESS

General

West Marine was founded in 1968 by a sailor and is 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 279 stores located in 38 states, Puerto Rico and Canada as of the end of 2014 and two eCommerce websites reaching our retail and professional services customers, West Marine is recognized as the leading waterlife outfitter for cruisers, sailors, anglers, paddle sports enthusiasts, and industry service providers. 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

West Marine is 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 and professionals who provide services to them. We do this through physical stores and two eCommerce websites, making us a leading omni-channel specialty retailer in our industry. Our strategies are designed to broaden West Marine into a waterlife outfitter, while maintaining our position as the leading boat parts specialty retailer. To expand our brand position, we have been focusing our efforts and investments in our omni-channel business strategies designed to increase our customer base and grow revenues from core boating and merchandise expansion products. Our strategic goals are reflected in 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 several years, we have invested in our eCommerce websites and, early in 2014, we launched our new westmarine.com website . We experienced greater-than-anticipated disruption stemming from the launch, and realized modest growth of 1.4% for the year. However, by the fourth quarter, this upgraded retail platform stabilized and the growth rate for domestic eCommerce had recovered to 11.7% for the quarter by offering our customers enhanced functionality, relevant product information and a wider breadth of products, including our merchandise expansion categories. Our eCommerce channel represented 7.7% of our 2014 revenues, as compared to 7.6% last year. We believe these enhancements will continue to drive growth and strengthen our omni-channel position. Also, in an effort to accelerate our eCommerce business, during 2014, we invested in people and systems to build a new wholesale website (portsupply.com) ,which successfully launched in January of 2015. This website serves our professional customer, and similar to other business-to-business websites, we believe portsupply.com will help this channel grow, but on a smaller base than our retail consumer site.

Store Optimization

The second number in the 15/50 plan reflects our goal of deriving 50% of total sales from our consolidated or revitalized stores. Collectively, we refer to these as "experience stores," as they provide a new shopping experience for our customers, both in terms of store design and expanded product assortment. From 2009 to 2013, our store optimization program consisted of store consolidations, where we evolved to fewer, larger stores 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 what we believe to be better store locations. The larger scale of these locations, typically greater than 11,000 square feet, also allows us to staff the stores with sales associates having a diversity of specialized product knowledge. In connection with the store consolidation component of our store optimization strategy during 2014, we opened seven stores and expanded the selling square footage of three stores, while closing other stores in those same markets.

Beginning in 2014, we expanded our store optimization strategy to include "revitalizations" of select stores. A store revitalization consists of light remodeling, space optimization, product assortment changes, new product category introduction, and associate training. We also deploy more flexible fixtures which enables us to present our product assortments, which vary by season in a more cost effective manner. 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. During 2014, we revitalized 11 stores in key markets and early results are positive.

We ended the year with an aggregate of 2.71 million total square feet of space for all stores, up slightly from 2.69 million square feet at the end of fiscal 2013. We anticipate slowing the pace of consolidation projects in 2015, as we completed the majority of consolidations that we had previously identified, and with our early success with revitalizations, we plan to expand this program to include approximately 15 locations in 2015.

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 2014, sales of this group of products increased by 14.1% and comprised approximately 18.7% of our revenues, compared to approximately 16.5% 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 our revitalized locations. Additionally, we are testing new product categories 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:

	2014	2013	2012
Core boating products (1)	81.3%	83.5%	84.7%
Merchandise expansion products (2)	18.7%	16.5%	15.3%
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.

We are 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. We do believe that there is an opportunity to further drive sales of core products, particularly through our smaller traditional stores, and during 2015, we will be increasing product assortments and testing some operational changes to achieve this goal.

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 in 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 2014 and realized savings through quantity purchases and direct shipments. In 2014, no single vendor accounted for more than 9% of our merchandise purchases, and our 20 largest vendors accounted for approximately 40% 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 2014, which typically has 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 2014				Fiscal 2013				Fiscal 2012			
	Flagship	Large-Format	Standard	Total	Flagship	Large-Format	Standard	Total	Flagship	Large-Format	Standard	Total
Beginning stores	16	38	233	287	13	29	258	300	9	23	287	319
New stores	2	5	—	7	3	8	—	11	3	6	1	10
Closed stores	—	(2)	(13)	(15)	—	—	(24)	(24)	—	—	(29)	(29)
Expansion	1	1	(2)	—	—	1	(1)	—	1	—	(1)	—
Ending stores	19	42	218	279	16	38	233	287	13	29	258	300

(1) Flagship stores range in size from more than 18,000 sq. ft. to 50,000 sq. ft.

(2) Large-format stores range in size from 12,000 sq. ft. up to 18,000 sq. ft.

(3) Standard stores are less than 11,000 sq. ft in size.

At the end of 2014, we had 279 stores, compared to 287 stores at the end of 2013. While store count declined by 2.8% year-over-year, selling square footage increased slightly by 0.5%.

In the third quarter of 2014, as part of our strategic planning process, we announced our intention to wind down the operations of our Canadian retail stores to focus our financial and management resources on our U.S. growth initiatives. As a result, in 2015, we will close seven of our Canadian stores.

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 water life 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. At our larger stores, we are adding in-store specialists for key categories such as apparel, paddlesports, fishing and electronics. These associates enhance our ability to understand and meet our customers' needs.

Our standard-sized traditional stores focus on carrying core boating products and we will be investing in about 180 of these stores in 2015 to provide more breadth and depth of core products to increase sales. Our standard-sized traditional stores also support our omni-channel strategy by directing our customers to shop through our other channels, such as our eCommerce website, to access the vast array of our merchandise expansion and water life products.

In 2015, we expect to open three flagship stores, these store openings will replace four traditional 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. 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. We believe that with continued professional customer focus, expanded distribution capabilities, (including using 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 enabling us to grow market share with our professional customers.

Direct-to-consumer

Our eCommerce websites at westmarine.com and portsupply.com, direct mail catalogs, and call center comprise our 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. In addition to this "ship-to-store" model, which our customers are increasingly embracing, we also are in the process of developing a "ship-from-store" option for our direct-to-consumer orders, with roll out planned later in 2015. We believe this service will allow us to increase our sales and improve inventory turns by having more products readily available to fulfill orders.

Our westmarine.com website provides our customers with access to a broad selection of approximately 93,000 products, unique product advisor tips and technical information, over 1,000 product videos and 33,000 total reviews. We also believe our website is a cost-effective means of testing market acceptance of new products and concepts.

Our portsupply.com website provides our customers the same functionality as on our retail site, along with the ability to check inventory levels in multiple locations, build requisition lists, and look up invoices.

Our eCommerce websites, 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 virtual call center from which our associates process customer orders from the associates' homes or from our support center in Watsonville, California. Our call center provides enhanced customer service and supports sales generated through our eCommerce website, catalogs and stores.

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 with customer-provided information 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 customer issues at the local level. 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 a unique value proposition supported by extensive product offerings, 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.

As part of our Mission Statement, 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 Blue Future in our daily operations by monitoring our carbon footprint year after year, offering our customers environmentally preferable products, including our own "Pure Oceans®"private label brand, 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. Some vendors ship products directly from their facilities to our stores. 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 serve as hubs or regional distribution centers. We believe our network of regional distribution facilities provides us with a competitive advantage to better serve our professional customers who value the speed and service levels our hubs are able to provide to them. We also have plans to roll out our "ship-from-store" initiative in the latter part of 2015 to enable speed of product to our customers and to improve our inventory turns. 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 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. Although we face tough competition in the marine market, we believe that we offer our customers a value proposition that is unmatched by our competitors through our 279 stores, our eCommerce websites, our regional distribution capabilities and our knowledgeable, skilled associates.

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 27, 2015, we had 3,642 associates, of whom 1,791 were full-time and 1,851 were part-time or temporary. A significant number of temporary associates are hired during the summer peak selling season. For example, West Marine employed 4,488 associates on June 28, 2014.

International Sales

We promote and sell our marine products internationally primarily through our wholesale and direct-to-consumer sales channels. As previously disclosed, over the next few years, to ensure focus and to enable us to redirect resources for investment in our growth strategies, we will be closing each of our ten Canadian stores as leases expire. The first of these stores closed in January 2015, and we are planning to close six more stores by September 2015. In addition, as of January 14, 2014, our franchise agreement terminated for our franchisee's stores in Turkey. For each of 2014, 2013 and 2012, 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 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, , or if positive results from these strategies take longer to realize than originally expected, our profitability in the short and/or long-term, could be adversely affected.

We have been and are continuing with implementing a change in our business strategy to broaden our brand from a boating supply retailer to a waterlife outfitter, and there is no assurance that we will be successful in implementing this strategy.

As further discussed under Item 1. Business, we have begun to implement a business strategy the key object of which is to broaden the West Marine brand to appeal to a broader customer demographic. Our plans to evolve from a boating supply retailer to a broader waterlife outfitter are centered around enhancements in our three key strategic initiatives, which are designed to grow our customer base, increase our top-line sales and our flow-through to bottom line profitability. While we believe in this refinement of our brand positioning, we can make no assurances that we will be successful in these efforts.

Our inability to achieve steady, profitable growth would materially adversely affect our results of operations and financial condition.

A critical component of our business strategy is to ensure steady growth in profitability. In connection with this strategy, we implemented and continue to refine our key growth strategies designed to broaden our brand with increased product assortment, revitalization of our store experience, increasing our eCommerce presence and enhancing our operational efficiency. For additional information regarding our strategic plan, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K ("MD&A"). It may take longer than expected, and require increased investments, to execute on our strategies to broaden our brand appeal which could delay or prevent us from achieving profitability or otherwise have a material adverse effect on our results of operations and financial condition.

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 or unplanned cost overruns could materially affect our store optimization strategy and, consequently, our financial performance.

In order to meet our growth objectives, we 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 all proposed store sites to 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. Additionally, we may incur cost overruns on projects if we underestimate the scope of work or level of expense required. Any failure on our part to recognize or respond to any of the foregoing 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, conversion 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.

Changes in customer or product mix could cause the gross margin to decline.

We are experiencing growth in sales of our merchandise expansion categories, compared to a decline in our core product categories. In 2015, we are increasing our investments in core product merchandise in key markets, which generally are sold at higher gross margins and not susceptible to higher seasonal clearance. Additionally, we are experiencing larger growth from our professional customers than from our retail customers, and our professional customers typically receive discounted pricing due to their higher sales volume. If this customer and product mix shift continues or significantly increases, we will face gross margin pressure and there can be no assurance that we will be able to maintain historical gross margins in the future.

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 water life consumer and to introduce new products to all of our customers, as well as the level of consumer acceptance of these strategies. 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 we are unable to effectively and efficiently wind-down the operations of our Canadian stores and/or shift sales from these stores to our eCommerce site, our operating performance could be impacted more negatively than anticipated.

In the third quarter of 2014, as part of our strategic planning process, we announced our intention to wind-down the operations of our Canadian stores. Our senior leadership team and our Board of Directors determined that an orderly wind down would allow us to better focus our financial and management resources on our U.S. growth initiatives to provide a greater likelihood of more attractive long-term financial returns. If we are unable to effectively and efficiently execute the closure of our Canadian stores, and/or we are not able to transfer the sales from these stores to our eCommerce website, our top line revenue and our estimated costs and expected cash outflows could be negatively impacted.See the discussion under the caption "Critical Accounting Policies and Estimates" in the accompanying MD&A for additional information regarding our accounting policies for costs associated with exit or disposal activities.

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, and 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. Recently, we have experienced turnover in key executive positions, including our Chief Financial Officer and our Executive Vice President - Merchandising. If we are unable to replace these positions with qualified personnel and/or if further 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, 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.. Likewise, with increased cybersecurity attacks in various industries, including the retail sector, we cannot be assured that we will be able to attract and retain sufficient qualified IT security personnel, especially in light of the increased demand for such personnel in all industries.

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.

Non-compliance with the Payment Card Industry Data Security Standard ("PCI DSS") may subject us to fines, penalties and civil liability.

We are subject to compliance with PCI DSS, an information security standard for organizations that handle cardholder information from major debit and credit card companies. In the third quarter of 2014, we achieved PCI DSS compliance. However, as PCI DSS standards change, our continued compliance efforts may result in significant expenses and any failure to fully comply with PCI DSS on an ongoing basis may subject us to fines, penalties and civil liability, and, in extreme circumstances, could result in the loss of our ability to accept debit and credit card payments or prohibit us from processing transactions through American Express, MasterCard, VISA and other card and payment networks. Even if we are compliant with PCI DSS or other applicable security standards, we still may not be able to prevent security breaches involving customer transaction data.

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 our continued focus on our omni-channel growth strategies.

The success of these 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 our strategic business initiatives would delay and possibly even prevent us from realizing the projected benefits of those initiatives.

Our success also depends on our ability to anticipate and implement innovations in sales and marketing technology to appeal to existing and potential customers who increasingly rely on multiple portals, including mobile technologies, to meet their shopping needs. Failure to enhance our technology and marketing efforts to align with our customers' shopping preferences could significantly impair our ability to meet our strategic business and financial goals.

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 in 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 prevailing 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, restricted water access from droughts, 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. Additionally, we may incur certain types of losses that we cannot insure or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, and some natural disasters. For example, 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.

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. Additionally, unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including potential increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs, which could have a material adverse effect on our financial condition and results of operations.

With the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act, we may experience an increase in participation in our group health insurance programs, which may lead to a greater number of medical claims. If we experience a greater number of self-insured losses than we anticipate, our financial performance could be adversely affected.

Failure of our internal control over financial reporting could harm our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States ("GAAP"). Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot provide assurance that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure that we will be able to attract and retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly-traded companies.

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.

Until we complete the wind down of our Canadian retail store operations, 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 property 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.

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, eCommerce, electronic devices, and other services (including taxation, user privacy, data protection, pricing and electronic and mobile communications, environmental regulations and information reporting requirements) could diminish the demand for our products and services, 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. 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 January 3, 2015, our 279 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

On October 23, 2013, a putative class action lawsuit was filed against us in the United States District Court for the Northern District of California by two California former hourly employees. The complaint sought unspecified damages for alleged violations of the California Labor Code, the California Business and Professions Code and the federal Fair Labor Standards Act, as well as civil penalties and attorney's fees under the Labor Code Private Attorney General Act. The complaint alleged that we miscalculated and failed to pay overtime for employees off-the-clock work and certain selling incentive bonuses (or spiffs), issued inaccurate wage statements, failed to provide adequate rest and meal periods and other labor-related complaints. On September 19, 2014, the District Court granted our motion for summary judgment on a number of the asserted claims, including the rest and meal break allegations, but certified the spiff miscalculation class and the derivative wage statement and former employee classes. On October 10, 2014, we filed an interlocutory appeal with the United States Court of Appeals for the Ninth Circuit asserting that the District Court erred in certifying the various classes. While the appeal was pending, in January 2015, we entered into a settlement and release agreement for all remaining class and individual claims, without admission of any wrongdoing, and the District Court granted the motion for preliminary approval of the settlement, with the hearing for final approval set for May, 2015. We recorded a charge of approximately $0.4 million for the estimated payments, including attorneys' fees, costs and administrative expenses, in connection with this settlement liability. Such amount had no material impact on our financial statements. Additionally, on October 8, 2014, a putative class action was filed against us in the Superior Court of the State of California, County of San Diego, by a California former hourly employee claiming violations of the California Labor Code and the California Business and Professions Code. The complaint seeks unspecified damages and attorney's fees, alleging our failure to pay overtime to hourly store employees who earned bonus wages or commissions during pay periods in which they worked overtime, and the derivative claims of failure to provide accurate wage statements and all wages owed upon termination of employment. We intend to defend this action vigorously and the outcome of this matter cannot be determined at this time. See Note 6 to our consolidated financial statements for further discussion.

We are also involved in various other 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 of the class action lawsuits discussed above or any other 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 the two class action lawsuits and for any other 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
2014				
High	$ 14.27	$ 11.70	$ 11.00	$ 12.92
Low	$ 11.09	$ 9.91	$ 8.46	$ 8.74
2013				
High	$ 13.18	$ 12.43	$ 12.30	$ 14.23
Low	$ 10.61	$ 11.00	$ 10.58	$ 11.25

As of March 6, 2015, there were approximately 6,321 holders of record of our common stock, and the last sale price reported on the NASDAQ Global Select Market was $10.52 per share. We have not paid any cash dividends on our common stock, and we do not anticipate doing so in the foreseeable future.

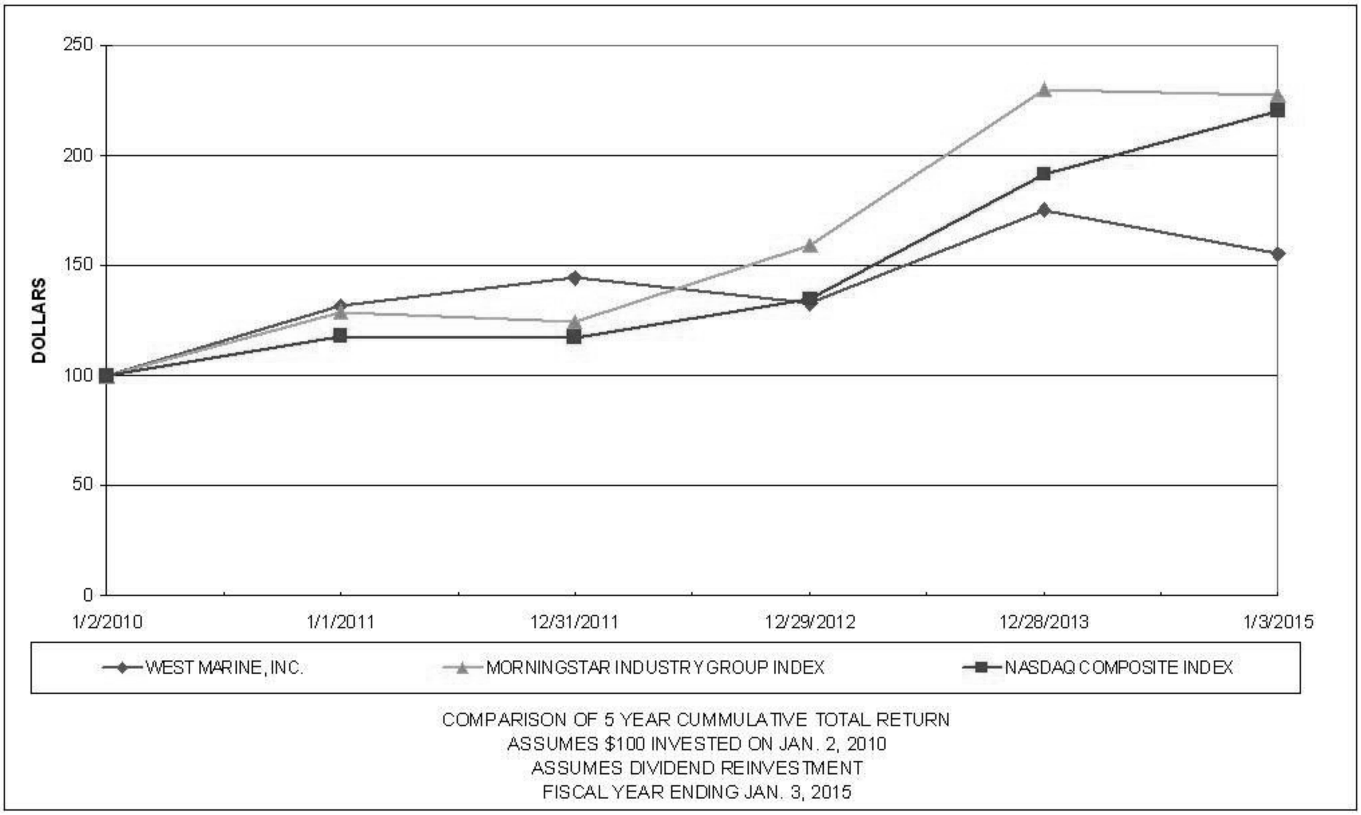
Issuer Purchases of Equity Securities

As previously reported, West Marine's Board of Directors approved a $10 million share repurchase program in March 2013. Through January 3, 2015, we repurchased 657,999 shares under this program for a total cost of $8.7 million. We did not repurchase any shares after February 12, 2014. Please refer to Note 10 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 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 2015 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 Morningstar index presented below consists of 223 specialty retailers.



Fiscal Year End:	1/2/2010	1/1/2011	12/31/2011	12/29/2012	12/28/2013	1/3/2015
West Marine, Inc.	$ 100.00	$ 131.27	$ 144.29	$ 132.63	$ 175.43	$ 155.09
Specialty Retail	100.00	128.79	124.06	158.84	230.14	227.20
NASDAQ Composite Index	100.00	118.02	117.04	134.77	191.67	220.62

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 2014 and 2013 and consolidated statement of operations data for 2014, 2013 and 2012 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 2012, 2011 and 2010 as well as the statement of operations data for 2011 and 2010 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)	2014	2013	2012	2011		2010
Consolidated Statements of Operations Information:						
Net revenues	$ 675,751	$ 663,174	$ 675,251	$ 643,443		$ 622,290
Income from operations	4,432	15,743	25,298	22,789		14,846
Income before income taxes	4,004	15,309	24,457	21,871		14,209
Net income	1,948	7,837	14,719	32,753	(1)	13,189
Net income per share:						
Basic	$ 0.08	$ 0.32	$ 0.63	$ 1.44	(1)	$ 0.59
Diluted	0.08	0.32	0.62	1.41	(1)	0.57
Consolidated Balance Sheet Information:						
Working capital	$ 224,026	$ 222,980	$ 217,750	$ 194,707		$ 171,106
Total assets	385,501	364,243	350,979	332,948		304,433
Long-term debt, net of current portion	—	—	—	—		—
Operating Data:						
Stores open at year-end	279	287	300	319		327
Comparable stores net sales increase (decrease) (2)	1.2%	(1.8)%	3.1%	2.3%		5.5%

(1) Includes an $18.4 million non-cash benefit from the release of substantially all of our valuation allowance against deferred tax assets.

(2) 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 and 2010, previously reported comparable store sales, which excluded direct-to-consumer and wholesale sales were 3.3%, 2.3% and 6.3%, 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 broaden the West Marine brand from a boating equipment and accessories retailer to a water life outfitter with an expansive product offering targeting a larger customer base. This brand expansion 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 gear, apparel and footwear and other waterlife-related products to anyone who enjoys recreational time on or around the water with 2014 net revenues of $675.8 million and net income of $1.9 million. Providing great customer experiences and a consistent brand is important to us, regardless of the sales channel our customer uses. Our 279 stores open at the end of 2014 are located in 38 states, Puerto Rico and Canada. As previously disclosed, over the next few years, to ensure focus on and to enable us to redirect resources for investment in our growth strategies, we will be closing our ten Canadian stores as leases expire. One store closed in January 2015 and we are planning to close six more by September 2015. Along with our numerous stores and our eCommerce websites reaching domestic and international customers, we are recognized as the dominant waterlife outfitter for cruisers, sailors, anglers and paddle sports enthusiasts.

We have been focusing on the following key growth strategies over the last few years and will continue to focus on and invest in these strategies in 2015 (for additional information refer to Item 1. Business of this annual report on form 10-K):

- eCommerce
- Store optimization
- Merchandise expansion

We have invested significant resources in support of these key growth strategies and the pace of our investments will continue through 2015, including additional capital investments to further improve our eCommerce websites and to upgrade our information technology infrastructure. This work supports 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 of these initiatives 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.

Results of Operations

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

	2014	2013	2012
Net revenues	100.0%	100.0%	100.0%
Cost of goods sold	71.4%	71.1%	69.3%
Gross profit	28.6%	28.9%	30.7%
Selling, general and administrative expense	27.9%	26.5%	27.0%
Income from operations	0.7%	2.4%	3.7%
Interest expense	0.1%	0.1%	0.1%
Income before income taxes	0.6%	2.3%	3.6%
Provision for income taxes	0.3%	1.1%	1.4%
Net income	0.3%	1.2%	2.2%

Fiscal 2014 compared with Fiscal 2013

53rd Week

The calendar for fiscal December 2014 included a sixth week, resulting in a 53-week year. During this 53rd week, total sales were $6.9 million; cost of goods sold was $5.1 million; selling, general and administrative expenses were approximately $1.5 million; and pre-tax income was approximately $0.2 million. Our comparable store sales in fiscal year 2014 excluding the impact of the 53rd week was an increase of 0.1%.

Revenues

We experienced unusually cold, rainy and windy weather in many of our markets in the first half of the year, 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. However, during the second half of 2014, we experienced a modest recovery in our sales trends as somewhat better weather conditions returned in many of our markets. The better weather conditions led to improved boat usage and sales in our core categories. In addition, we believe our focused strategies to drive holiday sales met with considerable success, enabling us to deliver 2.8% comparable store sales growth during the fourth quarter (adjusted to remove the impact of the extra week).

Net revenues for 2014 were $675.8 million, an increase of $12.6 million or 1.9%, compared to net revenues of $663.2 million for 2013. This increase primarily was due to a $7.2 million, or 1.2%, increase in comparable store sales. Comparable store sales results for the first, second, third and fourth quarters of 2014 were (1.7)%, (0.7)%, 0.6% and 8.7%, respectively. Fiscal 2014 was a 53-week year and included an extra week in the fourth quarter.

Revenues from core products, which represented 81.3% and 83.5% of our total revenues for 2014 and 2013, respectively, were down 1.7% during 2014 as compared to the same period last year, primarily as a result of reduced boat usage during the first half of 2014. These reductions year-over-year were offset by 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 eCommerce channel, driven by domestic eCommerce growth, increased by 1.4% for the year. Sales from our eCommerce channel declined during the first half of 2014 following the launch of our new website and delivered an 11.7% increase in the fourth quarter over the prior year. The eCommerce channel represented 7.7% of our 2014 revenues, as compared to 7.6% last year. Sales in our merchandise expansion categories (including footwear, apparel, clothing accessories, fishing products and paddle sports equipment) were up 14.1%. Merchandise expansion products represented 18.7% of our 2014 revenues, as compared to 16.5% last year. Finally, with respect to our progress toward our goal of 50% of sales from stores in our optimized markets, we achieved 42.4% for the year compared to 35% in 2013. We also experienced increased sales to professional customers during 2014, 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 $1.6 million, or 0.8%, to $193.2 million in 2014, compared to $191.6 million for 2013, primarily due to higher sales. Gross margin decreased to 28.6% in 2014, compared to 28.9% in 2013. This was driven by lower raw product margin rate, which decreased by 0.2%, primarily due to a shift in balance of sales from our retail customers, where transaction counts decreased due to less boat usage and reduced commissioning activities, as well as 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 offered to retail customers. Gross margin was also lower by 0.2% due to higher occupancy expenses during the year, primarily due to a store closure lease liability recorded as a result of our store optimization strategy. These decreases were partially offset by a 0.1% improvement in inventory shrinkage.

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

SG&A expense for 2014 was $188.8 million, an increase of $12.9 million, or 7.3%, compared to $175.9 million last year. SG&A increased as a percentage of revenues to 27.9% in 2014, compared to 26.5% in 2013. Drivers of higher SG&A expense included: a $5.0 million increase in support expense related to investment in information technology infrastructure and eCommerce website (portsupply.com); $4.0 million increase in benefits costs, including higher year-over-year health care claims; $1.5 million increase related to the impact of week 53 expenses; $1.3 million in higher training costs, including West Marine University, our biennial Company-wide training event and store associate training programs; and $0.8 million in legal fees.

Interest expense

Interest expense was $0.4 million for both 2014 and 2013. This expense consists primarily of the amortization of commitment fees, as our borrowings were minimal in 2014. Cash provided by operating activities funded property and equipment investments.

Net Income

Net income for 2014 was $1.9 million compared to net income for 2013 of $7.8 million. Our effective income tax rate for 2014 was 51.3%, compared to 48.8% in 2013. The year-over-year change in our effective tax rate was primarily due to placement of a valuation allowance of $0.8 million against our Canadian net deferred tax assets, as well as adjustments to the existing valuation allowance on California Enterprise Zone tax credits and prior year deferred true ups.

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 7 to our consolidated financial statements.

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 results for 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 in the prior 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% in the prior 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% in the prior 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 margin decreased 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 decreased 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 margin was also lower by 0.5% due to higher occupancy expenses during the year, primarily due to a store closure lease liability recorded as a result of our store optimization strategy and by 0.2% primarily due to higher inventory shrinkage.

Selling, general and administrative 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, 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 our gross valuation allowance against state tax credits in the amount of $2.2 million; this increased our annual effective tax rate by 9.3%. In addition, our foreign taxes, including tax payments related to recently-enacted alternative minimum taxes in Puerto Rico, increased our annual effective rate by 2.6%.

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 2014 and 2013, we were debt free. The highest outstanding balance during 2014 and 2013 was $0.3 million and $0.2 million, respectively. 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 $224.0 million at the end of 2014, compared to $223.0 million at the end of 2013. The increase in working capital primarily was attributable to a $11.3 million higher merchandise inventory balance principally in our core merchandise categories, in preparation of our 2015 season and to improve sales in about 180 or our smaller traditional stores, a $6.4 million increase in other current assets primarily related to timing of pre-paid assets offset by an increase of $14.9 million in accounts payable and accrued expenses at the end of 2014, and a $2.7 million lower cash balance.

Operating Activities

During 2014, our primary source of liquidity was cash flow from operations. Net cash provided by operating activities increased year-over-year by $10.4 million, to $24.0 million in 2014, compared to $13.6 million last year. The increase in cash provided by operating activities was due primarily to changes in operating assets and liabilities, including increases in accounts payable resulting from the timing of payments to vendors and increases in accrued expenses. Additionally, this was offset by a decrease in net income of $1.9 million in 2014 versus net income of $7.8 million in 2013. Non-cash charges to earnings in 2014 included depreciation and amortization of $18.2 million, stock-based compensation of $3.1 million and deferred income taxes of $3.3 million.

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 in 2012. 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.

Investing Activities

In 2014, our capital expenditures were $24.5 million, primarily for new stores, store remodels, eCommerce website, information technology and investment in supply chain efficiencies. We opened seven new stores and remodeled three stores in 2014. During 2015, we expect capital spending to be in the range of $22 to $25 million, in support of our strategic growth initiatives. Additionally, we will continue to invest in enhancements to our information technology infrastructure (including hardware and software), to ensure PCI DSS compliance. We intend to fund our expansion through cash generated from operations and, if necessary, credit facility borrowings.

In 2013 and 2012, our capital expenditures were $24.2 million and $17.8 million, respectively, mostly for new stores, store remodels, information technology and investment in supply chain efficiencies. We opened 11 new stores and remodeled one store in 2013 and, in 2012, we opened 10 new stores and remodeled four stores.

Financing Activities

Net cash used in financial activities was $2.2 million in 2014, primarily consisting of $4.8 million in cash used toward share repurchases, partially offset by $2.5 million increase in cash from associate share-based compensation plans. 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 and security agreement.

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 loan and security agreement expires in November 2017. 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 2014, 2013 and 2012, the weighted-average interest rate on all of our outstanding borrowings was 3.8%, 3.8% and 4.7%, 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 January 3, 2015, we were in compliance with the covenants under our loan agreement.

At the end of 2014 and 2013, there were no amounts outstanding under our revolving credit facilities, and we had $101.1 million and $98.8 million, respectively, available for future borrowings. At the end of 2014 and 2013, we had $4.2 million and $4.6 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.

The highest outstanding balance during 2014 and 2013 was $0.3 million and $0.2 million, respectively. Our weighted-average outstanding balances for the first quarters of 2014 and 2013 were not material and less than $0.1 million, respectively. For our second quarters of 2014 and 2013, the weighted-average outstanding balances were less than $0.1 million and not material, respectively, and the third quarter weighted-average outstanding balances for both 2014 and 2013 were not material. The fourth quarter weighted-average outstanding balances for 2014 and 2013 were less than $0.1 million and not material, respectively.

We may borrow against our aggregate borrowing base up to the maximum revolver amount, which was $120.0 million at both year-end 2014 and 2013. Our borrowing base at each of our last two fiscal year-ends consisted of the following (in millions):

	2014	2013
Accounts receivable availability	$ 5.0	$ 5.1
Inventory availability	118.4	115.6
Less: reserves	(6.4)	(6.0)
Less: minimum availability	(11.7)	(11.5)
Total borrowing base	$ 105.3	$ 103.2

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

Ending loan balance/(overpayment)	$ —	$ (0.2)
Outstanding letters of credit	4.2	4.6
Total obligations	$ 4.2	$ 4.4

Accordingly, our availability as of fiscal year end 2014 and 2013, respectively, was (in millions):

Total borrowing base	$ 105.3	$ 103.2
Less: obligations	(4.2)	(4.4)
Total availability	$ 101.1	$ 98.8

Contractual obligations

Aggregate information about our unconditional contractual obligations as of January 3, 2015 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)	$ 283,823	$ 49,339	$ 81,942	$ 54,970	$ 97,572
Purchase commitments(2)	74,226	74,168	58	—	—
Bank letters of credit	4,225	4,225	—	—	—
Other long-term liabilities	3,673	2,934	739	—	—
	$ 365,947	$ 130,666	$ 82,739	$ 54,970	$ 97,572

(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 $1.1 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 January 3, 2015, 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. The 10b5-1 Plan terminated in accordance with its terms on February 14, 2014. We may enter into similar plans in the future to further implement the share repurchase program.

Through January 3, 2015, we repurchased 657,999 shares under this program for a total cost of $8.7 million and an average price per share of $13.21. We did not repurchase any shares after February 12, 2014.

Seasonality

Historically, our business has been highly seasonal. In 2014, approximately 64% 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 2014 financial results delivered total sales growth of 0.9% and a comparable store sales increase of 0.1%, when both numbers are adjusted to remove the effect of the 53rd week in fiscal 2014. During the first half of the year, we experienced 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 2014, 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. In addition, we believe our focused strategies to drive holiday sales met with considerable success, enabling us to deliver 2.8% comparable store sales growth during the fourth quarter (adjusted to remove the impact of the extra week).

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 growth expectations. We believe that we can accomplish our goal of steady, profitable growth 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 55-60 years for sailors. Therefore, we are targeting younger customers through broader lifestyle products, relevant marketing campaigns, and by delivering compelling 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 in a short period of time, such as paddlesports. This should allow us to grow a base of customers who are passionate about their lives 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, we are continuing to ramp up our investments, with the results outlined below:

- eCommerce: Sales which originated in our direct-to-consumer channel grew by 1.4% during 2014, which was lower than the 15.7% growth we experienced in 2013. However, we believe this reflected the impact of greater-than-anticipated disruption stemming from the launch of a new website platform earlier in the year. By the fourth quarter, the growth rate had recovered to 11.7%. eCommerce sales represented 7.7% of total sales in 2014, up from 7.6% for the corresponding period in 2013. By 2019, our 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 and 2014, 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. Given that we have now completed consolidations in the majority of our markets for which we believe these are appropriate, we anticipate slowing the pace of these projects in 2015 since there are fewer opportunities. On the other hand, given our early success with revitalizations, we plan to expand this program to include approximately 15 more locations in 2015. In 2014, 42.4% of our total sales came through optimized "experience" stores. By 2019, our 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 14.1% during 2014, whereas sales in our core categories declined by 1.7%, primarily as a result of reduced boat usage. Sales of merchandise expansion products represented 18.7% of total sales for 2014, up from 16.5% in 2013.

We continue to see evidence of positive inter-dependence across our growth strategies. Specifically, our eCommerce and store optimization strategies are enabling us to better present for sale our merchandise expansion product offerings, and all of our strategies are designed to attract new customers and build upon our customer base. For full-year 2014, sales of merchandise expansion products represented 17.2% of our eCommerce sales and 23.8% of the sales in our stores optimized year-to-date.

Given the early success of our growth strategies, and the need to continue to drive them at a fast pace in order to reposition our business to provide steady profitable growth, our financial plans for 2015 reflect the investment of significant resources in support of our key growth strategies, including $22 to $25 million of capital investments for the year. Approximately $10 to $12 million of these investments are targeted toward our expanded store optimization program, which will include approximately three store consolidation projects and 15 store revitalizations. We will direct approximately $9 million of our capital investments to upgrade our information technology infrastructure (including hardware and software), to ensure PCI DSS compliance and to deliver further improvements to our eCommerce websites. Both the eCommerce and store optimization strategies will allow us to continue to increase sales through our merchandise expansion strategy, as well as, supporting our core business. The remainder of our 2015 capital investments will be directed toward other maintenance and infrastructure needs.

Our profit and cash flow expectations for 2015 reflect incremental expense impact of activities directed toward furthering our growth strategies and investment in our infrastructure.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements for further discussion on recent accounting pronouncements.

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 January 3, 2015 and December 28, 2013 were $3.5 million and $3.0 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 January 3, 2015, 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 January 3, 2015 and December 28, 2013 were $19.9 million and $18.9 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 January 3, 2015 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 January 3, 2015 and December 28, 2013 was $4.1 million and $3.4 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 January 3, 2015 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 January 3, 2015 and December 28, 2013 were $0.5 million and $0.7 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 January 3, 2015 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 fiscal years 2014, 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 do not 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		
We compute our 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. The self insurance liability at January 3, 2015 and December 28, 2013 was $3.5 million and $2.9 million, respectively.	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 January 3, 2015, would have affected net income by approximately $0.4 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 units and associate stock buying plan purchases using similar valuation techniques and 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 January 3, 2015, 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 2014, we had no outstanding long-term debt. 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 4 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 $0.5 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 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.

Management has assessed the effectiveness of our internal control over financial reporting as of January 3, 2015. In making its assessment of the effectiveness of internal control over financial reporting, management used the criteria set forth in "Internal Control—Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has concluded that our internal control over financial reporting was effective as of January 3, 2015, based on the criteria set forth in "Internal Control—Integrated Framework" issued by the COSO.

Our internal control over financial reporting as of January 3, 2015 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/ Deborah Ajeska
Matthew L. Hyde	**Deborah Ajeska**
President and Chief Executive Officer (principal executive officer)	**Controller (principal financial officer)**
March 12, 2015	March 12, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of West Marine, Inc. and its subsidiaries at January 3, 2015 and December 28, 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) as of and for the years ended January 3, 2015 and 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 maintained, in all material respects, effective internal control over financial reporting as of January 3, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 the accompanying Management's Report on Internal Control Over Financial Reporting. 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 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 audits 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 audits 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
West Marine, Inc.

We have audited the accompanying consolidated statements of income, comprehensive income, stockholders' equity, and cash flows of West Marine, Inc. (a Delaware corporation) and Subsidiaries (the "Company") for the fiscal year ended December 29, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of West Marine, Inc. and Subsidiaries for the fiscal year ended December 29, 2012 in conformity with accounting principles generally accepted in the United States of America.

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

WEST MARINE, INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 3, 2015 AND DECEMBER 28, 2013
(in thousands, except share data)

	Fiscal Year-End	
	2014	**2013**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,675	$ 48,408
Trade receivables, net of allowances of $247 in 2014 and $243 in 2013	6,843	6,441
Merchandise inventories	214,298	203,036
Deferred income taxes	5,585	5,012
Other current assets	25,791	19,360
Total current assets	298,192	282,257
Property and equipment, net	79,447	72,848
Long-term deferred income taxes	3,993	5,684
Other assets	3,869	3,454
TOTAL ASSETS	$ 385,501	$ 364,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 33,244	$ 21,986
Accrued expenses and other	40,922	37,291
Total current liabilities	74,166	59,277
Deferred rent and other	20,327	16,382
Total liabilities	94,493	75,659
Commitments and Contingencies - Note 6		
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; 25,092,550 shares issued and 24,403,661 shares outstanding at January 3, 2015 and 24,625,481 shares issued and 24,296,497 shares outstanding at December 28, 2013	25	25
Treasury stock	(9,171)	(4,405)
Additional paid-in capital	207,863	202,622
Accumulated other comprehensive loss	(564)	(565)
Retained earnings	92,855	90,907
Total stockholders' equity	291,008	288,584
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 385,501	$ 364,243

See notes to consolidated financial statements.

WEST MARINE, INC. CONSOLIDATED
STATEMENTS OF INCOME
FOR THE FISCAL YEARS ENDED JANUARY 3, 2015, DECEMBER 28, 2013 AND DECEMBER 29, 2012
(in thousands, except per share data)

	2014	2013	2012
Net revenues	$ 675,751	$ 663,174	$ 675,251
Cost of goods sold	482,564	471,528	467,733
Gross profit	193,187	191,646	207,518
Selling, general and administrative expense	188,755	175,903	182,220
Income from operations	4,432	15,743	25,298
Interest expense	428	434	841
Income before income taxes	4,004	15,309	24,457
Provision for income taxes	2,056	7,472	9,738
Net income	$ 1,948	$ 7,837	$ 14,719
Net income per common and common equivalent share:			
Basic	$ 0.08	$ 0.32	$ 0.63
Diluted	$ 0.08	$ 0.32	$ 0.62
Weighted-average common and common equivalent shares outstanding:			
Basic	24,244	24,259	23,312
Diluted	24,408	24,601	23,771

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED JANUARY 3, 2015, DECEMBER 28, 2013 AND DECEMBER 29, 2012
(in thousands)

	2014	2013	2012
Net income	$ 1,948	$ 7,837	$ 14,719
Other comprehensive income, net of tax			
Foreign currency translation adjustment	1	226	(64)
Total comprehensive income	$ 1,949	$ 8,063	$ 14,655

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED JANUARY 3, 2015, DECEMBER 28, 2013 AND DECEMBER 29, 2012
(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 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 deficiency 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
Net income					1,948		1,948
Foreign currency translation adjustment, net of tax of $92						1	1
Common stock issued under equity compensation plan	391,950	—		4,760			4,760
Tax benefit from equity issuance, including excess tax benefit of $217				(173)			(173)
Treasury shares acquired	(359,905)		(4,766)				(4,766)
Sale of common stock pursuant to Associates Stock Buying Plan	75,119			654			654
Balance at January 3, 2015	24,403,661	$ 25	$ (9,171)	$ 207,863	$ 92,855	$ (564)	$ 291,008

See notes to consolidated financial statements.

WEST MARINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JANUARY 3, 2015, DECEMBER 28, 2013 AND DECEMBER 29, 2012
(in thousands)

	2014	2013	2012
OPERATING ACTIVITIES:			
Net income	$ 1,948	$ 7,837	$ 14,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,234	14,960	15,302
Share-based compensation	3,109	3,207	3,128
Excess tax benefit from share-based compensation	(217)	(1,240)	(380)
Deferred income taxes	3,287	3,466	4,614
Provision for doubtful accounts	37	81	223
Lower of cost or market inventory adjustments	1,759	1,499	925
Loss on asset disposals	330	172	103
Changes in assets and liabilities:			
Trade receivables	(439)	201	(1,175)
Merchandise inventories	(13,021)	(15,196)	(1,622)
Other current assets	(6,431)	(1,332)	(4,502)
Other assets	(659)	18	(164)
Accounts payable	10,787	1,108	(4,768)
Accrued expenses and other	3,458	(2,624)	(266)
Deferred items and other non-current liabilities	1,776	1,395	(96)
Net cash provided by operating activities	23,958	13,552	26,041
INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	57	4,372	122
Purchases of property and equipment	(24,573)	(28,553)	(17,953)
Net cash used in investing activities	(24,516)	(24,181)	(17,831)
FINANCING ACTIVITIES:			
Borrowings on line of credit	2,240	3,812	5,224
Repayments on line of credit	(2,240)	(3,812)	(5,224)
Payment of loan costs	—	—	(561)
Proceeds from exercise of stock options	1,651	4,440	3,863
Proceeds from sale of common stock pursuant to Associates Stock Buying Plan	654	781	698
Excess tax benefit from share-based compensation	217	1,240	380
Treasury stock	(4,766)	(4,020)	—
Net cash provided by (used in) financing activities	(2,244)	2,441	4,380
Effect of exchange rate changes on cash	69	54	(14)
NET INCREASE (DECREASE) IN CASH	(2,733)	(8,134)	12,576
CASH AT BEGINNING OF PERIOD	48,408	56,542	43,966
CASH AT END OF PERIOD	$ 45,675	$ 48,408	$ 56,542
Other cash flow information:			
Cash paid for interest	$ 328	$ 293	$ 693
Cash paid for income taxes, net of refunds of $1,394, $37 and $111	2,064	5,048	7,222
Non-cash investing activities			
Property and equipment additions in accounts payable	725	1,197	999
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 January 3, 2015, West Marine offered its products through 279 stores in 38 states, Puerto Rico and Canada, through its call center channel and on the Internet. As previously disclosed, over the next few years, to ensure focus on and to enable the Company to redirect resources for investment in its growth strategies, the Company will be closing each of our Canadian stores as leases expire. The first of these ten stores closed in January 2015 and the Company is planning to close six more stores by September 2015. 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 is an omni channel retail organization operating one reporting segment in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280, *Segment Reporting*. The metrics used by our Chief Executive Officer (as the Company's chief operating decision maker or the "CODM") to assess the performance of the Company are focused on viewing the business as a single integrated business. The CODM's process for allocating resources is based upon the omni-channel view of the Company. Additionally, 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. Revenues from customers are derived from merchandise sales and the Company does not rely on any individual major customers.

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:

	2014	2013	2012
Core boating products	81.3%	83.5%	84.7%
Merchandise expansion products	18.7%	16.5%	15.3%
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.

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 and as a result, a 53-week year occurs every 5 to 6 years. The 2014 fiscal year consisted of the 53 weeks ended January 3, 2015 and fiscal years 2013 and 2012 consisted of the 52 weeks ended December 28, 2013 and December 29, 2012, respectively. References to 2014, 2013 and 2012 are to the fiscal years ended January 3, 2015, December 28, 2013 and December 29, 2012, 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 center activities. Indirect costs included in inventory value at the end of fiscal years 2014 and 2013 were $19.9 million and $18.9 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 $2.2 million and $2.4 million at the end of fiscal years 2014 and 2013, 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 $3.5 million and $3.0 million at the end of fiscal years 2014 and 2013, 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 $16.0 million, $14.7 million and $15.9 million in 2014, 2013 and 2012, respectively. Advertising costs were partially offset by vendor allowances of $10.6 million, $9.8 million and $9.5 million in 2014, 2013 and 2012, respectively, which are included in cost of goods sold. The capitalized value of prepaid catalog and advertising costs on the Balance Sheet was immaterial as of January 3, 2015 and December 28, 2013, 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.

CAPITALIZED INTEREST—The Company capitalizes interest on major capital projects. The Company did not capitalize interest in 2014, 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.

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 $0.6 million as of January 3, 2015, and $0.7 million as of December 28, 2013. There were no significant changes attributable to the following components during the 2014, 2013 or 2012 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 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 fiscal years 2014, 2013 and 2012.

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. Accrued liabilities related to costs associated with facility closing activities as of January 3, 2015 and December 28, 2013 were $0.6 million and$0.7 million and consist primarily of lease termination fees. These facility closing charges are expected to be fully paid by April 2019. These costs are included in the Selling, general and administrative expense line on the Company's Consolidated Statements of Income and were $0.1 million, less than $0.1 million and $0.1 million in 2014, 2013 and 2012, respectively.

On September 25, 2014, management presented and the Board of Directors approved the Company's strategic plan which included a plan to exit all of its Canadian stores as the leases expired and a withdrawal from the country. As such, the Board determined that it would be in the best interests of the Company and its stockholders to continue the Company's focus of time and resources on its domestic growth strategies. In accordance with ASC 712, *Nonretirement Postemployment Benefits, t*he Company recorded a $0.1 million restructuring charge in the third quarter of 2014 for severance costs. Additionally, in accordance with ASC 420-10, *Exit or Disposal Cost Obligations,* the Company expects to record an additional $0.1 million for future termination benefits over the next three years. Other associated costs, such as legal and professional fees, will be expensed as incurred. The restructuring charges are and will be reflected on the consolidated statements of income as part of SG&A. As of January 3, 2015, we have accrued $0.1 million for Canadian exit activities which is included in the $0.1 million restructuring costs for 2014.

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. As of January 3, 2015 and December 28, 2013, deferred rent totaled $12.0 million and $10.9 million, respectively. Deferred rent is included in the Deferred rent and other line item on the Company's consolidated balance sheet.

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 7.

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—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 January 3, 2015 and December 28, 2013, there were no financial instruments which require disclosure under the fair value hierarchy.

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 2014, 2013, and 2012 was $(1.2) million, $(1.6) 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:

	2014	2013	2012
		(in thousands)	
Allowance for doubtful accounts receivable—beginning balance	$ (243)	$ (277)	$ (301)
Additions	(307)	(325)	(788)
Deductions and other adjustments	303	359	812
Allowance for doubtful accounts receivable—ending balance	$ (247)	$ (243)	$ (277)

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 2014, 2013 and 2012 were $18.1 million, $18.1 million and $18.7 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 2014, 2013 and 2012 was $0.7 million, $0.8 million and $0.8 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. As of January 3, 2015 and December 28, 2013, the Company had a recorded liability for the West Advantage customer loyalty program of $1.2 million and $0.8 million, respectively.

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.

VENDOR ALLOWANCES—The Company receives various payments and allowances from its vendors through a variety of programs and arrangements. Monies received from vendors include rebates, allowances and promotional funds. The amounts to be received are subject to the terms of the vendor agreements, which are subject to ongoing negotiations that may be impacted in the future based on changes in market conditions, vendor marketing strategies and changes in the profitability or sell-through of the related merchandise.

Rebates and other miscellaneous incentives are earned based on purchases, receipts or product sales and are accrued ratably over the purchase or sale of the related product. These monies are recorded as a reduction of merchandise inventories based on inventory turns and as the product is 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 SG&A expense for 2014, 2013 and 2012 were $(0.5) million, $(0.6) million and $0.1 million, respectively.

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

	2014	2013
Accrued compensation and benefits	$ 10,748	$ 7,251
Accrued paid time off	3,496	4,125
Accrued bonus	9	7
Unredeemed gift cards	7,152	6,854
Other accrued expenses	19,517	19,054
Accrued expenses	$ 40,922	$ 37,291

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 0.7 million shares, 0.2 million shares and 0.5 million shares of common stock that were outstanding in 2014, 2013 and 2012, 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):

	2014		2013		2012	
	Shares	Net Income Per Share	Shares	Net Income Per Share	Shares	Net Income Per Share
Basic	24,244	$ 0.08	24,259	$ 0.32	23,312	$ 0.63
Effect of dilutive stock options	164	—	342	—	459	(0.01)
Diluted	24,408	$ 0.08	24,601	$ 0.32	23,771	$ 0.62

DERIVATIVE INSTRUMENTS—The Company did not purchase or hold any derivative financial instruments during the three years ended January 3, 2015.

CASH AND CASH EQUIVALENTS—Cash consists entirely of cash on hand and bank deposits, of which approximately $43.2 million exceeded FDIC insurance limits as of January 3, 2015. As of December 28, 2013, approximately $46.3 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 $3.3 million and $2.8 million at January 3, 2015 and December 28, 2013, respectively

We had no outstanding checks in excess of funds on deposit (book overdrafts) at January 3, 2015 and December 28, 2013.

SABBATICAL LEAVE—Certain full-time associates are eligible to receive sabbatical leave after each 5 years of continuous employment. The estimated sabbatical liability is based on a number of factors, including actuarial assumptions and historical trends. In fiscal years 2014 and 2013, the Company had a recorded liability of $1.3 million and $1.0 million, respectively, as an estimate of accumulated sabbatical leave as of the respective balance sheet dates.

Recently Issued Accounting Pronouncements

In March 2013, FASB issued Accounting Standards Update ("ASU") 2013-05, *Foreign Currency Matters, (Topic 830)*, which clarifies the accounting for the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new standard was effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In July 2013, FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This guidance requires an entity to net its liability for unrecognized tax positions against a net operating loss carryforward, a similar tax loss or a tax credit carryforward when settlement in this manner is available under the tax law. The provisions of this guidance were effective as of the beginning of the 2014 fiscal year and did not have a material impact on the Company's consolidated financial statements.

In April 2014, FASB issued ASU 2014-08, *Reporting of Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 provides a narrower definition of discontinued operations than the definition under existing GAAP. The new guidance requires that only disposal of a component of an entity, or a group of components of an entity, that represents a strategic shift that has, or will have, a major effect on the reporting entity's operations and financial results should be reported in the financial statements as discontinued operations. ASU 2014-08 also provides guidance on the financial statement presentations and disclosures of discontinued operations. ASU 2014-08 is effective prospectively for disposals (or classifications as held for disposal) of components of an entity that occur in annual or interim periods beginning after December 15, 2014. The Company is currently evaluating the new standard, but does not expect the adoption of ASU 2014-08 will have a material impact on the Company's consolidated financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective retrospectively for annual or interim reporting periods beginning after December 15, 2016 with early application not permitted. The Company is currently evaluating the new standard, and has not concluded whether the adoption of ASU 2014-09 will have a material impact on the Company's consolidated financial statements.

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 2014, 10,300,000 shares of common stock had been reserved under the Plan and 1,538,853 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 2014, 2013 and 2012 was approximately $3.1 million, $3.2 million and $3.1 million, respectively, of which expense for stock options was $0.8 million, $1.5 million and $1.9 million in 2014, 2013 and 2012, respectively. In 2014, the Company recognized $0.2 million in tax benefits from stock options exercised, restricted stock vested and disqualifying Buying Plan transactions, of which $0.2 million was recognized as excess tax benefits in additional paid-in capital and $0.2 million was recognized as cash flow from financing activities. 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. The tax benefit was included in the Company’s consolidated statement of operations for the same period. Share-based compensation of $0.4 million was included in capitalized indirect inventory in 2014, $0.6 million in 2013 and $0.5 million in 2012.

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)	2014	2013	2012
Cost of goods sold	$ 429	$ 609	$ 542
Selling, general and administrative expense	2,680	2,598	2,586
Share-based compensation expense	$ 3,109	$ 3,207	$ 3,128

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
Expected price volatility	41%	49%
Risk-free interest rate	0.6% - 0.9%	0.5% - 0.6%
Weighted-average expected term (years)	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 2014, 2013 and 2012 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Option Grant Date Fair Value
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
Granted	—	—	—
Exercised	(236,052)	7.14	2.54
Forfeited	(47,924)	10.96	4.12
Expired	(324,832)	19.86	11.39
Outstanding at year-end 2014 (896,687 stock options exercisable at a weighted-average exercise price of $10.87)	1,091,078	10.95	4.32

There were no stock options granted in 2014 and the weighted-average grant date fair value of options granted in 2013 and 2012 was $4.08 and $4.28 per share, respectively. The aggregate fair value of options vested during 2014, 2013 and 2012 was $2.5 million, $3.9 million and $3.3 million, respectively.

As of market close January 3, 2015, the aggregate intrinsic value for stock options outstanding was $1.7 million, and $1.5 million for exercisable options. The total intrinsic value of options actually exercised was $1.0 million in 2014, $3.4 million in 2013 and $3.0 million in 2012. The Company did not grant any options in 2014. There were 594,081 options that vested in 2014 with an aggregate grant date fair value of $2.5 million. At January 3, 2015, unrecognized compensation expense for stock options, net of expected forfeitures, was $0.5 million, with a weighted-average remaining expense recognition period of 1.06 years.

Additional information for options outstanding at year-end 2014 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
$ 7.01 – 10.75	439,829	3.8	10.32	382,350	3.6	10.33
10.76 – 15.54	642,249	2.3	11.29	505,337	1.5	11.17
15.55 – 22.00	9,000	0.3	17.27	9,000	0.3	17.27
$ 7.01 – 22.00	1,091,078	2.9	$ 10.95	896,687	2.4	$ 10.87

At January 3, 2015, there were 725,494 stock options expected to vest in the future, with an intrinsic value of $1.3 million, a weighted-average exercise price of $10.78 per share and a weighted-average remaining contractual term of 0.4 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 vested 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 2014. There was no unrecognized compensation expense for unvested restricted share awards, net of expected forfeitures, in 2014. A summary of restricted share activity in 2012 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
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	—	—

There were no restricted shares granted in 2012, 2013 and 2014. The total fair value of restricted shares vested in 2012 was $0.1 million.

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 2014, 2013 and 2012 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, 2013 and 2014 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 $2.1 million in 2014. Unrecognized compensation expense for unvested RSU's, net of expected forfeitures, was $2.7 million in 2014 and the Company expects to recognize this expense within less than two years. A summary of RSU activity in 2014, 2013 and 2012 is as follows:

	Number of RSU's	Weighted Average Grant Date Fair Value
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
Granted	220,777	11.78
Vested	(163,990)	
Forfeited	(55,008)	11.56
Unvested at year-end 2014 (weighted-average remaining vesting period of 1.6 years)	348,163	11.60

The total fair value of RSUs vested in 2014 and 2013 was $1.8 million and $1.2 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.

Performance-based Restricted Stock Units

Starting in fiscal year 2014, performance-based restricted stock units (“PSU's”) were granted to certain eligible associates who were subject to the recipient's continuing service to the Company. The PSU's represented a promise to deliver shares to the associates at a future date if certain vesting conditions were met. These PSU's did not consist of legally issued shares until the vesting event, which was performance and time-based, had occurred. During 2014, 82,324 PSU's were granted, however, the minimum performance hurdle was not met and as a result, the 82,324 PSU's were canceled. There was no compensation expense in 2014.

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 2014, 2013 and 2012 were 75,119, 82,643 and 87,095, respectively. Expense recognized in each of the years 2014, 2013 and 2012 was $0.2 million. Shares available for future issuance under the Buying Plan at the end of 2014, 2013 and 2012 were 346,981, 422,100 and 504,743, respectively. Assumptions used in determining the fair value of shares issued under the Buying Plan during 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Expected price volatility	30%-34%	22%-28%	39%-49%
Risk-free interest rate	0.1%	0.1%	0.1%-0.2%
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 at January 3, 2015, December 28, 2013 and December 29, 2012 was $2.04, $2.59 and $2.04 per award, respectively. Assumptions used in determining the fair value of the MSAP awards during 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Expected price volatility	34%-37%	34%	45%
Risk-free interest rate	0.8%-1.4%	1.4%	0.6%
Weighted-average expected term (years)	4.1	4.2	4.2
Dividend yield	—	—	—

A summary of the MSAP award activity in 2014, 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
Granted	244,750
Vested	(78,911)
Forfeited	(73,250)
Unvested at year-end 2014	330,359

The MSAP compensation expense recorded for 2014 was $0.4 million and the corresponding liability at January 3, 2015 was $0.5 million. 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.

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

(in thousands)	2014	2013	2012
Cost of goods sold	$ 33	$ 18	$ 4
Selling, general and administrative expense	388	77	48
MSAP compensation expense	$ 421	$ 95	$ 52

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at fiscal year-end 2014 and 2013 (in thousands):

	At Year-End	
	2014	2013
Furniture and equipment	$ 77,564	$ 72,679
Computer software and hardware	87,512	87,484
Leasehold improvements	76,804	74,572
Land and building	600	600
Property and equipment, at cost	242,480	235,335
Accumulated depreciation and amortization	(163,033)	(162,487)
Property and equipment, net	$ 79,447	$ 72,848

Depreciation and amortization expense for property and equipment was $18.0 million, $15.0 million and $15.3 million in 2014, 2013 and 2012, respectively.

NOTE 4: 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 2014, 2013 and 2012, the weighted-average interest rate on all of our outstanding borrowings was 3.8%, 3.8% and 4.7%, 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 January 3, 2015, the Company was in compliance with the covenants under this loan agreement.

At the end of fiscal year 2014, there were no amounts outstanding under this revolving credit facility, $101.1 million was available for future borrowings, and there was $0.6 million in unamortized loan costs. 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 years 2014 and 2013, the Company had $4.2 million and $4.6 million of outstanding commercial and stand-by letters of credit, respectively. The highest outstanding balance during 2014 and 2013 was $0.3 million and $0.2 million, respectively.

NOTE 5: RELATED PARTY TRANSACTIONS

During 2014, West Marine did not enter into any new related party transactions. In addition, the Company terminated one related party lease during 2014 and one during 2012, 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.

The related party transactions pertain to the fact that 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. These three properties are leased from Randolph K. Repass through the partnerships. 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 Mr. Repass 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.

West Marine leased its store in New Bedford, Massachusetts from a corporation of which certain of Mr. Repass' family members were either officers, stockholders or board members. 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 Braintree, Massachusetts lease was terminated in September 2014, and the Company closed the store in June 2014. The Company opened a new flagship 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 2014, 2013 and 2012 in the aggregate amount of approximately $1.7 million, $1.9 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 stockholders. As of January 3, 2015, there were no amounts due to related parties.

NOTE 6: 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 2014 were as follows (in thousands):

2015	$	49,339
2016		44,441
2017		37,501
2018		29,894
2019		25,076
Thereafter		97,572
Minimum non-cancelable lease payments, net	$	283,823

The table above includes $2.4 million in related party leases. No assets of the Company were subject to capital leases at fiscal year-end 2014, 2013 and 2012. 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):

	2014		2013		2012	
Minimum rent	$	51,603	$	50,218	$	48,131
Percent rent		60		63		91
Sublease income		(12)		(21)		(23)
Rent paid to related parties		1,479		1,561		1,593
Total rent expense	$	53,130	$	51,821	$	49,792

On October 23, 2013, a putative class action lawsuit was filed against the Company in the United States District Court for the Northern District of California by two California former hourly employees. The complaint sought unspecified damages for alleged violations of the California Labor Code, the California Business and Professions Code and the federal Fair Labor Standards Act, as well as civil penalties and attorney's fees under the Labor Code Private Attorney General Act. The complaint alleged that the Company miscalculated and failed to pay overtime for employees off-the-clock work and certain selling incentive bonuses (or spiffs), issued inaccurate wage statements, failed to provide adequate rest and meal periods and other labor-related complaints. On September 19, 2014, the District Court granted the Company's motion for summary judgment on a number of the asserted claims, including the rest and meal break allegations, but certified the spiff miscalculation class and the derivative wage statement and former employee classes. On October 10, 2014, the Company filed an interlocutory appeal with the United States Court of Appeals for the Ninth Circuit asserting that the District Court erred in certifying the various classes. While the appeal was pending, in January, 2015, the Company entered into a settlement and release agreement for all remaining class and individual claims, without admission of any wrongdoing, and the District Court granted the motion for preliminary approval of the settlement, with the hearing for final approval set for May, 2015. The Company recorded a charge of approximately $0.4 million for the estimated payments, including attorneys' fees, costs and administrative expenses, in connection with this settlement liability. Such amount had no material impact on our financial statements.

Additionally, on October 8, 2014, a putative class action was filed against the Company in the Superior Court of the State of California, County of San Diego, by a California former hourly employee claiming violations of the California Labor Code and the California Business and Professions Code. The complaint seeks unspecified damages and attorney's fees, alleging the Company's failure to pay overtime to hourly store employees who earned bonus wages or commissions during pay periods in which they worked overtime, and the derivative claims of failure to provide accurate wage statements and all wages owed upon termination of employment. The Company intends to defend this action vigorously and the outcome of this matter cannot be determined at this time.

The Company currently is 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 2010 through fiscal 2014. 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.

The Company also is party to various other routine and non-routine legal and administrative proceedings, claims, product recalls, litigation and reviews, audits and investigations by various federal and state governmental regulators arising from normal business activities, including commercial, product and product safety, customer, intellectual property, labor and employment-related claims, custom, tax and environmental claims and proceedings in which private plaintiffs or governmental agencies allege that we violated local, state or federal laws. In addition, certain third-party service suppliers have rights under their contracts with the Company to review and audit its use of their products. Many of these legal and administrative proceedings investigations 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.

The Company accrues a liability for and contingency arising from these claims, audits, legal or administrative proceedings where the Company believes 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. When 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.

At January 3, 2015, accrued liabilities included a loss contingency accrual of $0.5 million related to all pending legal, regulatory and administrative claims, including the settled and pending class action lawsuits. At December 28, 2013, accrued liabilities included a loss contingency accrual of less than $0.1 million related to various minor items.

NOTE 7: INCOME TAXES

Earnings from continuing operations before income tax expense was as follows for fiscal years 2014, 2013 and 2012:

	2014	2013	2012
United States	$ 2,939	$ 14,144	$ 22,870
Outside the United States	1,065	1,165	1,587
Earnings from continuing operations before income tax expense	$ 4,004	$ 15,309	$ 24,457

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

	2014	2013	2012
Current:			
Federal	$ (1,125)	$ 3,536	$ 5,324
State	31	195	473
Foreign	296	412	79
Current taxes (benefit)	(798)	4,143	5,876
Deferred:			
Federal	1,200	194	3,202
State	511	2,937	197
Foreign	1,143	198	463
Deferred taxes	2,854	3,329	3,862
Income tax expense	$ 2,056	$ 7,472	$ 9,738

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

	2014	2013	2012
Statutory federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	5.6	4.4	1.9
Non-deductible permanent items	1.4	(0.3)	1.6
Change in valuation allowance	47.5	9.3	—
Uncertain tax positions	(23.7)	(0.5)	(0.1)
Impact of foreign operations	(3.7)	2.6	1.2
Prior period true-up adjustments	(10.2)	(2.3)	0.8
Other	(0.6)	0.6	(0.6)
Effective tax rate	51.3%	48.8%	39.8%

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):

	2014	2013
Assets:		
Accrued payroll and benefits	$ 6,652	$ 6,523
Capitalized inventory costs	118	145
Accrued expenses	3,068	3,092
Intangible assets	2,005	2,686
Net operating losses and tax credits	8,755	7,107
Deferred rent	4,852	4,385
Vendor allowances	2,344	—
Other	2,592	2,440
Total deferred income tax assets	30,386	26,378
Valuation allowance	(6,807)	(3,884)
Deferred income taxes, net of valuation allowance	23,579	22,494
Liabilities:		
Prepaid expenses	(2,474)	(1,999)
Property and equipment	(12,579)	(8,018)
Federal effect of state and foreign deferred items	(1,672)	(2,398)
Other liabilities	(1,024)	(961)
Total deferred tax liabilities	(17,749)	(13,376)
Net deferred income tax assets	$ 5,830	$ 9,118

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

	2014	2013
Current deferred income tax assets	$ 5,585	$ 5,012
Non-current deferred income tax assets	3,993	5,684
Non-current deferred income tax liabilities	(3,748)	(1,578)
Net deferred tax assets	$ 5,830	$ 9,118

At year-end 2014, the Company had $14.7 million of state income tax net loss carryforwards that expire between 2021 and 2034. The Company also had foreign net loss carryforwards of $2.7 million that expire between 2017 and 2034. In addition, the Company had California state enterprise zone credits of $5.4 million available for use in the tax years 2015 through 2024, and South Carolina tax credits of $1.3 million, which are available for use for tax years 2015 through 2018. These carryforwards are available to offset future taxable income. As of January 3, 2015 and December 28, 2013, non-current deferred tax liability was included in the Deferred rent and other line item on the Company's consolidated balance sheet.

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 remains in place until such time as the Company determines it is able to either benefit from the credits or they expire. The Company has determined that it is not more likely than not that the Company will be able to realize the tax benefit for a portion of the California Enterprise Zone credits before they expire in 2024. Therefore, the valuation allowance against these credits was increased by $1.1 million to $2.8 million for credits no longer under reserve as an unrecognized tax benefit subsequent to settlement of a California franchise tax audit. This valuation allowance will remain in place until such time as the Company determines it is able to either benefit from the credits, or they expire.

On September 25, 2014, management presented and the Board of Directors approved the Company’s strategic plan which included a plan to exit all of its Canadian stores as the leases expired and a withdrawal from the country. The Company's exit will have accounting, tax and legal implications. This triggered the Company’s evaluation of its ability to utilize its Canadian net deferred tax assets and to place a valuation allowance of $0.8 million gross against these assets. The Company will continue to evaluate these deferred tax assets on a quarterly basis.

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

	2014	2013	2012
Valuation allowance—beginning of year	$ 3,884	$ 1,692	$ 1,692
Valuation allowance increases	2,923	2,552	—
Valuation allowance reductions	—	(360)	—
Valuation allowance—end of year	$ 6,807	$ 3,884	$ 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 2010, state and local jurisdictions through 2009 and foreign jurisdictions through 2007. 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):

	2014	2013	2012
Unrecognized tax benefit—beginning of year	$ 2,476	$ 2,553	$ 2,623
Additions based on tax positions related to the current year	167	32	—
Additions for tax positions of prior years	218	22	—
Reductions for tax positions of prior years	—	—	(36)
Settlements	(1,463)	(65)	—
Lapse of statutes of limitations	(305)	(66)	(34)
Unrecognized tax benefit—end of year	$ 1,093	$ 2,476	$ 2,553

Included in the balance of unrecognized tax benefits at January 3, 2015 and December 28, 2013 are $0.5 million and $0.6 million, respectively, of tax benefits that, if recognized, would affect the Company's effective tax rate.

During the year, the Company released $1.5 million in uncertain tax positions related to the California Enterprise Zone tax credits through settlement of an audit. The rate effect of the release was largely offset by increase in the valuation allowance against the tax credits. In addition, the Company released $0.3 million of uncertain tax positions related to federal and state liabilities which expired under statute of limitations. Current year additions of $0.2 million relate to West Marine Puerto Rico ("WMPR") for amounts deducted from current year taxable income for intercompany charges. Prior year additions of $0.2 million relate to WMPR for amounts deducted for intercompany charges on the 2013 tax return.

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 January 3, 2015 and December 28, 2013, the Company recognized less than $0.1 million in interest and penalties. The accrued interest balance at January 3, 2015 and December 28, 2013 was $0.4 million and $0.3 million, respectively, and accrued penalties balance was $0.1 million and less than $0.1 million, respectively.

NOTE 8: 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 $0.6 million for fiscal years 2014, 2013 and 2012, 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 9: 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 328,174 shares during the year ended January 3, 2015 (which amount does not include 31,731 shares repurchased, but not settled at December 28, 2013 and which were purchased at an average price per share of $14.08), at an aggregate price of approximately $4.4 million and an average price per share of $13.39 under the repurchase plan.

Preferred Stock

As of January 3, 2015 and December 28, 2013, 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 10: QUARTERLY FINANCIAL DATA

(Unaudited and in thousands, except per share data)

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 113,338	$ 236,483	$ 196,510	$ 129,420
Gross profit	24,923	82,278	58,386	27,600
Selling, general and administrative expense	44,041	49,715	48,512	46,487
Income (loss) from operations	(19,118)	32,563	9,874	(18,887)
Net income (loss)	(11,015)	18,304	4,936	(10,277)
Net income (loss) per share:				
Basic	$ (0.46)	$ 0.76	$ 0.20	$ (0.42)
Diluted	(0.46)	0.75	0.20	(0.42)
Stock trade price:				
High	$ 14.27	$ 11.70	$ 11.00	$ 12.92
Low	11.09	9.91	8.46	8.74

	2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 114,244	$ 236,750	$ 193,362	$ 118,818
Gross profit	25,314	87,263	57,679	21,390
Selling, general and administrative expense	41,502	49,612	44,177	40,612
Income (loss) from operations	(16,188)	37,651	13,502	(19,222)
Net income (loss)	(9,729)	22,242	6,524	(11,200)
Net income (loss) per share:				
Basic	$ (0.41)	$ 0.92	$ 0.27	$ (0.46)
Diluted	(0.41)	0.90	0.26	(0.46)
Stock trade price:				
High	$ 13.18	$ 12.43	$ 12.30	$ 14.23
Low	10.61	11.00	10.58	11.25

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Internal Control over Financial Reporting

See Item 8 for Management's Report on Internal Control Over Financial Reporting.

Evaluation of Disclosure Controls and Procedures

We conducted, under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Principal Financial Officer ("PFO"), an evaluation of the effectiveness of the design and operation 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 our evaluation, we concluded that, as of January 3, 2015, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended January 3, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 2015 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 2015 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 2015 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 2015 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 2015 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 2014 and 2013
	Consolidated Statements of Income for fiscal years 2014, 2013 and 2012
	Consolidated Statements of Comprehensive Income for fiscal years 2014, 2013 and 2012
	Consolidated Statements of Stockholders' Equity for fiscal years 2014, 2013 and 2012
	Consolidated Statements of Cash Flows for fiscal years 2014, 2013 and 2012
	Notes to Consolidated Financial Statements
2	Schedule II Valuation and Qualifying Accounts
3	Exhibits:
10.2	West Marine, Inc. Omnibus Equity Incentive Plan, as amended and restated effective March 27, 2014
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 Principal 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 Principal Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions		Deductions		Balance at End of Period
		(In thousands)				
Year ended January 3, 2015						
Allowance for doubtful accounts	$ (243)	$ (307)	(1)	$ 303	(2)	$ (247)
Reserve for product sales returns	$ (1,570)	$ (1,637)	(3)	$ 2,038	(4)	$ (1,169)
Deferred tax valuation allowance	$ 3,884	$ 2,923	(5)	$ —		$ 6,807
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

(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 additional valuation allowance against California enterprise zone tax credits for deferred tax allowance of $1.1 million plus additional valuation allowance against Canadian deferred tax assets of $0.8 million.
(6) Represents reduction of state valuation allowance against 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 effective March 27, 2014
10.2.1*	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).
10.2.2*	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).
10.2.3*	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).
10.2.4*	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).
10.2.5*	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).
10.2.6*	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).
10.2.7*	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).
10.2.8*	Form of Notice of Grant of Restricted Stock Units and Restricted Stock Unit Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 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).
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).

Exhibit Number	Exhibit
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).
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).
10.9.2*	Separation Agreement, dated as of January 28, 2015, between West Marine, Inc. and Thomas Moran (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 28, 2015 and filed on February 2, 2015).

Exhibit Number	Exhibit
10.10*	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).
10.10.1*	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).
10.11*	Offer Letter, dated November 25, 2013 and approved December 5, 2013, between West Marine, Inc. and Barry Kelley (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 5, 2013 and filed on December 5, 2013).
10.12*	Policy Regarding Repayment of Forfeiture of Certain Compensation (incorporated by reference of Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 5, 2013 and filed on December 5, 2013).
10.13*	West Marine, Inc. Executive Officer Severance Plan dated March 16, 2011, as amended on December 5, 2013 (incorporated by reference of Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 5, 2013 and filed on December 5, 2013).
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 Principal 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 Principal 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 January 3, 2015 as filed on March 12, 2015.

† 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 January 3, 2015 and December 28, 2013; (ii) the consolidated statements of income for the fiscal years ended January 3, 2015, December 28, 2013 and December 29, 2012; (iii) the consolidated statements of stockholders' equity for the fiscal years ended January 3, 2015, December 28, 2013 and December 29, 2012; (iv) the consolidated statements of comprehensive income for the fiscal years ended January 3, 2015, December 28, 2013 and December 29, 2012 and (v) the consolidated statements of cash flows for the fiscal years ended January 3, 2015, December 28, 2013 and December 29, 2012. 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, 2015	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 Deborah Ajeska, 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, 2015

/s/ DEBORAH AJESKA

Deborah Ajeska
Divisional Vice President and Controller (Principal Financial Officer)

March 12, 2015

/s/ RANDOLPH K. REPASS

Randolph K. Repass
Chairman of the Board and Director

March 12, 2015

/s/ DENNIS MADSEN

Dennis Madsen
Director

March 12, 2015

/s/ JAMES F. NORDSTOM, JR.

James F. Nordstrom, Jr.
Director

March 12, 2015

/s/ ROBERT D. OLSEN

Robert D. Olsen

Director

March 12, 2015

/s/ BARBARA L. RAMBO

Barbara L. Rambo
Director

March 12, 2015

/s/ ALICE M. RICHTER

Alice M. Richter
Director

March 12, 2015

/s/ CHRISTIANA SHI

Christiana Shi
Director

March 12, 2015

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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 Stores, 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 2015 Proxy Statement.

Current Named Executive Officers

Matthew L. Hyde
President and Chief Executive Officer

Barry Kelley
Executive Vice President of Stores and Wholesale

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 and quarterly reports are available online at www.westmarine.com via the Investor Relations section.

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