MAREX COM INC
Form 10-Q
May 15, 2001

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from ___________ to ____________.

Commission file number: 000-25129

MAREX.COM, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	65-0354269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5835 BLUE LAGOON DRIVE, 4TH FLOOR MIAMI, FLORIDA	33126
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (305) 285-2003

Former address: 2701 South Bayshore Drive, 5th Floor, Miami, Florida 33133

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

The number of shares outstanding of the registrant's Common Stock as of April 30, 2001 was 7,343,980.

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MAREX.COM, INC.

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MAREX.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

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ASSETS

Current assets:	
Cash and cash equivalents	$ 13,
Accounts receivable, net	
Prepaid expenses and other current assets	
Loan to related party	
Total current assets	13,
Property and equipment, net	1,
Other assets:	
Trademark, net	
Software development costs, net	8,
Deposits	
Total other assets	8,
Total assets	$ 24,
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Capital lease obligations	$
Accounts payable and accrued expenses	3,
Total current liabilities	3,
Long-term liabilities:	
Capital lease obligations, net of current portion	
Total liabilities	4,
Shareholders' equity:	
Preferred Stock, par value $.01 per share, 1,000,000 shares authorized, 304,693 shares of Series A1 Convertible Preferred Stock outstanding as of March 31, 2001 and December 31, 2000	30,
Common Stock, par value $.01 per share, 25,000,000 shares authorized, 7,343,980 and 7,339,780 shares issued and outstanding as of March 31, 2001 and December 31, 2000, respectively	
Additional paid-in capital	42,
Accumulated deficit	(52,
Total shareholders' equity	20,
Total liabilities and shareholders' equity	$ 24,

See Notes to Condensed Consolidated Financial Statements

MAREX.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Revenues	$ 48,668	$ 3,447
Operating expenses:		
Product support and development	1,972,534	737,684
Selling and marketing	1,088,521	929,565
General and administrative	698,326	1,043,860
Stock-based compensation	117,405	489,184
Total operating expenses	3,876,786	3,200,293
Loss from operations	(3,828,118)	(3,196,846)
Other income (expense):		
Interest income	222,513	90,671
Interest expense	(8,368)	(905)
Other	(8,193)	(1,484)
Total other income	205,952	88,282
Net loss	$(3,622,166)	$(3,108,564)
Net loss per share, basic and diluted	$ (0.49)	$ (0.49)
Weighted average shares of Common Stock outstanding	7,341,647	6,406,597

See Notes to Condensed Consolidated Financial Statements

MAREX.COM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONT ENDED MARCH 31
	2001
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (3,622,166)
Adjustments to reconcile net loss to net cash used in operating activities	
Provision for doubtful accounts	243
Depreciation	192,623
Amortization	609,825
Stock-based compensation	117,405
Loss on disposal of property and equipment	--
Increase in accounts receivable	(14,413)
Decrease (increase) in prepaid expenses and other current assets	344,365
Decrease (increase) in deposits	5,494
(Decrease) increase in accounts payable and accrued expenses ...	(3,506,826)
Net cash used in operating activities	(5,873,450)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(83,045)
Additions to software development costs	(283,245)
(Increase) decrease in loan to related party	(200,000)
Net cash used in investing activities	(566,290)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on capital lease obligations	(36,865)
Proceeds from exercise of stock options and warrants	1,400
Proceeds from issuance of Preferred Stock	--
Net cash (used in) provided by financing activities	(35,465)
Net (decrease) increase in cash and cash equivalents	(6,475,205)
CASH AND CASH EQUIVALENTS, beginning of period	19,624,266
CASH AND CASH EQUIVALENTS, end of period	$ 13,149,061
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during each period for interest	$ 8,368
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION:	
Acquisition of equipment under capital lease obligations	$ --

See Notes to Condensed Consolidated Financial Statements

MAREX.COM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) BASIS OF FINANCIAL STATEMENT PRESENTATION

In management's opinion, the accompanying unaudited condensed consolidated financial statements of Marex.com, Inc. and subsidiaries (the "Company") contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows for each period shown. The results of operations for the 2001 interim period presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2001.

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The accounting policies followed for interim financial reporting are the same as those disclosed in the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

(2) RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. As required, we adopted SFAS No. 133 in the first quarter of 2001. The adoption of this statement did not have an effect on our consolidated results of operations and financial position as we did not hold any derivative instruments during the three months ended March 31, 2001.

(3) NET LOSS PER SHARE

SFAS No. 128, "Earnings Per Share," requires two presentations of earnings per share -- "basic" and "diluted." Basic earnings per share is computed by dividing income available to common stockholders (the numerator) by the weighted average number of common shares (the denominator) for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

The following options and warrants to purchase shares of Common Stock were outstanding at the end of each period, but were not included in the computation of diluted earnings per share because the Company reported a net loss for each of the quarters presented and, therefore, the effect would be antidilutive:

	MARCH 31, 2001	MARCH 31, 2000
OPTIONS		
Outstanding	3,951,700	2,698,700
Weighted average exercise prices	$ 4.95	$ 6.32
WARRANTS		
Outstanding	1,852,052	409,971
Weighted average exercise prices	$ 3.57	$ 9.68

In addition, the Company had 304,693 shares of Preferred Stock outstanding as of March 31, 2001 that were convertible into 2,343,792 shares of Common Stock.

(4) SOFTWARE DEVELOPMENT COSTS

The Company follows Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and EITF 00-02, "Accounting for Web Site Development Costs," for the accounting of development costs. During the three months ended March 31, 2001 and 2000, the Company capitalized $283,000 and $2.1 million, respectively, of development costs associated with development of its e-commerce solutions.

(5) ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related Interpretations. Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's Common Stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. In March 2000, the Company granted options to a director at an exercise price below the quoted market price which resulted in total non-cash compensation of $2.4 million. During the three months ended March 31, 2001 and 2000, compensation expense related to the vested portion of the stock options granted to the director totaled $117,000 and $489,000, respectively, and is included in the unaudited condensed consolidated statements of operations as "Stock-based compensation."

(6) INCOME TAXES

The Company did not record a benefit for income taxes due to the full valuation allowance that has been recorded given the uncertainty of the realization of its deferred income tax assets.

(7) PREFERRED STOCK

The Company has authorized 1,000,000 shares of Preferred Stock of $.01 par value with preferences to be determined by the Board of Directors. On March 2, 2000, the Board of Directors designated 430,000 shares as Series A1 Convertible Preferred Stock ("Series A1 Preferred Stock").

In March 2000, the Company received net proceeds of $20.4 million in connection with the sale of 210,000 shares of Series A1 Preferred Stock at $100 per share. In May 2000, the Company completed the private placement through the sale of an additional 210,000 shares of Series A1 Preferred Stock at $100 per share. Total net proceeds from the private placement were $40.9 million.

Each share of the Series A1 Preferred Stock is convertible into 7.69 shares of Common Stock at the option of the holder at any time. In the event that the Company issues or sells Common Stock or securities convertible or exchangeable for Common Stock, subject to certain exclusions, at a price per share less than the conversion price of the outstanding Series A1 Preferred Stock, the holders of the Series A1 Preferred Stock shall have the right to amend the conversion price of the Series A1 Preferred Stock outstanding to the price per share of the issuance. Automatic conversion occurs upon either of the following: completion by the Company of a public offering which raises gross proceeds of at least $50 million, at an effective price per share to the public of at least $26.00 as adjusted for stock splits, stock dividends or other similar transactions; or, upon the event that the market price per share of the Company's Common Stock exceeds $26.00, subject to adjustments for stock splits, stock dividends, or other similar transactions, for a consecutive twenty-day period following the one-year anniversary of the effective date of a registration statement covering the Common Stock underlying the Series A1 Preferred Stock.

The holders of the Series A1 Preferred Stock are entitled to the number of votes equal to the number of shares of Common Stock into which such Preferred Stock is convertible.

Upon declaration by the Board of Directors, holders of Series A1 Preferred Stock shall be entitled to receive dividends ratably in an amount per share equal to that which the holders would have been entitled had they converted their Series A1 Preferred Stock into shares of Common Stock.

Upon any liquidation of the Company, holders of record of the Series A1 Preferred Stock shall be entitled to receive, out of the assets of the Company and before any distribution or payment is made upon any class of security of lesser rank, an amount per share equal to the lesser of $100 per share or the assets of the Company available for distribution to its shareholders, distributed ratably among holders of the outstanding Series A1 Preferred Stock. After the distribution to the holders of Series A1 Preferred Stock has been made, the remaining assets of the Company available for distribution to shareholders shall be distributed pro rata solely among the holders of Common Stock.

Holders may redeem shares of Series A1 Preferred Stock in the event that the Company does not honor a conversion. In such a case, the redemption amount is equal to, at the option of the holder, the market value of the Common Stock that the shares of Series A1 Preferred Stock would otherwise have been convertible into or $100 per share.

(8) RELATED PARTY TRANSACTIONS

In February 2001, the Company loaned its Chief Executive Officer, who is also a Director and a shareholder, $200,000. The loan accrues interest at an annual rate of 8.5% and matures on April 28, 2001.

In March 2000, the Company made a payment of $435,000 to a consultant, who is also a shareholder of the Company, for strategic business consulting. Under the arrangement, the consultant provided consulting services to the Company through December 31, 2000. Consulting expense related to the agreement totaled $109,000 for the three months ended March 31, 2000 and is included in the accompanying condensed consolidated statement of operations as a component of "General and administrative" expenses.

(9) MAJOR CUSTOMER

For the three months ended March 31, 2001, revenues from one major customer accounted for approximately 58% of total revenues.

(10) SUBSEQUENT EVENT

On April 26, 2001, the Company issued to Genmar additional warrants to purchase 1,495,256 shares of Common Stock pursuant to the terms of the Warrant Agreement entered into on April 26, 2000. In connection with this issuance, the Company will record a non-cash expense of approximately $1.8 million in April 2001. As of April 26, 2001, the Company had issued warrants to Genmar to purchase a total of 2,937,337 shares of Common Stock. All such warrants are exercisable immediately, subject to certain restrictions, and have an exercise price of $1.83.

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

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, WHICH ARE INCLUDED ELSEWHERE IN THIS FORM 10-Q. IT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, WHICH RELATE TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, TECHNOLOGICAL DEVELOPMENTS, AND SIMILAR MATTERS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS OF MAREX TO BE MATERIALLY DIFFERENT FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED ELSEWHERE IN THIS REPORT IN THE SECTION ENTITLED "RISK FACTORS" AND THE RISKS DISCUSSED IN OUR OTHER SECURITIES AND EXCHANGE COMMISSION FILINGS.

OVERVIEW

Marex is the leading business to business ("B2B") e-commerce company serving the marine industry. Marex's mission is to improve the efficiency of marine industry supply chains. We have developed procurement solutions for the automation of business transactions for marine businesses.

Our objective is to expand our position as the leading B2B e-commerce solution for the marine industry. We are focused on developing our business to provide the most efficient tools possible for the procurement of marine goods.

In June 2000, we launched our main products, MarExpress! and MarexPO!. MarExpress! provides boat builders and other marine industry buyers with an e-procurement solution that enables them to buy new parts, supplies, components, and equipment through a web-based transaction system. Buyers can obtain product information, conduct e-procurement to support business workflows and controls, track orders, and complete product returns through a single, automated, online hub. MarexPO! is an e-commerce solution for marine industry suppliers and distributors that provides worldwide exposure and enables them to sell new parts, supplies, components and equipment to marine businesses through a web-based transaction system. By utilizing a thorough outfitting process for buyers and suppliers, the system recognizes the unique relationships between each buyer and supplier and only provides the supplier's product information and pricing that is appropriate for each specific buyer. Prior to the launch of our main products, Marex's Internet based trading exchange, the Exchange, and its successor, Classifieds and Auctions, were the only products offered to the marine industry. In order to focus all of our resources on our main products, we have suspended the Classifieds and Auctions product in the first quarter of 2001.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 2001 AND 2000

REVENUES

For the three months ended March 31, 2001, we recorded revenues of $49,000 compared to $3,000 during the same period in 2000. The increase was primarily due to the launch of MarExpress! and MarexPO! in June 2000.

MarExpress! and MarexPO! generate revenues by charging a transaction fee which is based on the gross transaction price of items purchased and sold through the system. The transaction fee is recognized as revenue when our customers' right to receive a refund for the transaction fee expires. For the three months ended March 31, 2001, we recorded revenues of $49,000 generated from $2.8 million of transactions. As of March 31, 2001, in process transactions totaled $1.7 million, which represent $29,000

of revenues that may be recognized in future periods. MarExpress! and MarexPO! were not launched until June 2000, therefore no revenue was recognized from these products during the three months ended March 31, 2000.

In the future, we expect revenues from MarExpress! and MarexPO! to increase as a result of the increase in the number of customers online and the increased use of the system by our existing customers. As of March 31, 2001, we had entered into agreements with 39 boat builders and 120 suppliers. Of these agreements, 15 boat builders and 50 suppliers were online. Due to the launch of Version 2.0 of our e-commerce solutions in December 2000, we expect a significant increase in the rate that customers will be signed and brought online.

The Exchange generated revenues by charging a transaction fee for completed transactions. For the three months ended March 31, 2000, we recorded revenues of

$3,000 generated from $86,000 of completed transactions through the Exchange. For the three months ended March 31, 2001, no revenue was recognized from this product.

PRODUCT SUPPORT AND DEVELOPMENT

Product support and development expenses consist primarily of compensation for product support and development personnel, cost of outside contractors, amortization of software development costs, and other costs associated with the operations and enhancements of the website. Product support and development expenses increased to $2.0 million for the three months ended March 31, 2001, compared to $738,000 for the same period in 2000. The change related primarily to increases of $288,000 in personnel and personnel related costs and $590,000 in amortization of software development costs. The balance was comprised of overhead and operating costs directly associated with the development, support and maintenance of the web site and e-commerce products.

SELLING AND MARKETING

Selling and marketing expenses consist primarily of compensation for sales and marketing personnel, cost of outside contractors and marketing costs. Selling and marketing expenses increased to $1.1 million for the three months ended March 31, 2001, compared to $930,000 for the same period in 2000. The change is primarily due to an increase of $229,000 in personnel and personnel related costs for salespeople and increases in operating costs associated with selling activities, which were partially offset by a decrease of $333,000 in advertising and marketing costs.

GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of compensation for administrative personnel, facilities expenses, professional fees, and general corporate expenses. General and administrative expenses decreased to $698,000 for the three months ended March 31, 2001, compared to $1.0 million for the same period in 2000. The change related primarily to decreases of $270,000 in personnel and personnel related costs and $109,000 in consulting expenses.

STOCK-BASED COMPENSATION

Stock-based compensation resulting from stock options granted to a director decreased to $117,000 for the three months ended March 31, 2001, compared to $489,000 for the same period in 2000. The decrease resulted from a larger portion of the stock options vesting during the first quarter of 2000.

OTHER INCOME AND EXPENSE

We recognized $223,000 of interest income for the three months ended March 31, 2001, compared to $91,000 for the three months ended March 31, 2000. The increase was a result of higher balances of marketable securities derived from the net proceeds of our private placements. Interest expense for the

three months ended March 31, 2001 was $8,000, compared to $1,000 for the three months ended March 31, 2000. The increase was due to the increase in capital lease obligations.

NET LOSS

Our net loss increased to $3.6 million for the three months ended March 31, 2001, from $3.1 million in the three months ended March 31, 2000. The change resulted from the increase in costs, as described above.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through the private sales of Common Stock and Preferred Stock.

Net cash used in operating activities was $5.9 million for the three months ended March 31, 2001, primarily as a result of a net loss of $3.6 million and the decrease of $3.5 million in accounts payable and accrued expenses. The net loss and decrease in accounts payable and accrued expenses were partially offset by a decrease of $344,000 in prepaid expenses and other current assets, a non-cash stock-based compensation charge of $117,000, depreciation expense of $193,000 and amortization expense of $610,000.

Net cash used in investing activities was $566,000 for the three months ended March 31, 2001, primarily due to $283,000 of software development costs related to the development of our e-commerce solutions and a $200,000 loan to a related party.

Net cash used in financing activities was $35,000 for the three months ended March 31, 2001, primarily due to principal payments on capital lease obligations.

As of March 31, 2001, cash and cash equivalents totaled $13.1 million, while our working capital was $9.9 million. In comparison, as of December 31, 2000, cash and cash equivalents totaled $19.6 million, while our working capital was $13.0 million. To date, our primary uses of cash have been in operating activities to fund the development and promotion of our e-commerce solutions.

We anticipate that our operating expenses, as well as planned capital expenditures, will constitute a material use of our cash resources. We believe that our available funds will be sufficient to meet our working capital and operating resources requirements for at least the next twelve months. In the event that our working capital and operating resources requirements during the next twelve months exceed our available funds, we may not be able to raise additional capital on acceptable terms or at all.

RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. As required, we adopted SFAS No. 133 in the first quarter of 2001. The adoption of this statement did not have an effect on our consolidated results of operations and financial position as we did not hold any derivative instruments during the three months ended March 31, 2001.

RISK FACTORS

WE HAVE A LIMITED OPERATING HISTORY

Marex was founded in 1992 but did not launch its main products until June 2000. Thus, we have a limited operating history on which to base an evaluation of our e-commerce business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and

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rapidly evolving markets such as B2B e-commerce. Many of these risks are described in this "Risk Factors" section. There can be no assurance that we will be able to address these risks.

WE HAVE A HISTORY OF LOSSES

We have incurred losses from operations in each period since our inception. We expect to incur substantial operating losses and have continued negative cash flows from operations for the foreseeable future. Moreover, we expect to incur significant sales and marketing, product support and development, and general and administrative expenses. In addition, we have no material revenues to date. If our revenue does not increase substantially or if our expenses are more than we expect, we may not become profitable.

OUR QUARTERLY OPERATING RESULTS ARE VOLATILE AND DIFFICULT TO PREDICT

Due to our limited operating history, we believe that period-to-period comparisons of revenues and results of operations are not meaningful. The fluctuations in our operating results may fall below the expectations of investors and securities analysts. Our failure to meet these expectations will likely cause a significant decline in the market price of our stock.

THE BUSINESS TO BUSINESS E-COMMERCE MODEL IS NOT PROVEN

Our B2B e-commerce model is new and not proven and depends upon our ability to, among other things: sell purchasing solutions to marine industry participants; achieve high rates of adoption by customers; and generate significant revenues from the use of our Internet-based solutions. We cannot be certain that the business model will be successful, that it can achieve or sustain revenue growth, or that it can generate any profits. The success of this business model will require, among other things, that we develop and market solutions with broad market acceptance by users and strategic partners. We cannot be certain that B2B e-commerce on the Internet, our e-commerce solution, or our services and brand in particular, will achieve broad market acceptance.

IF WE FAIL TO ACHIEVE MARKET ACCEPTANCE, OUR BUSINESS WOULD BE ADVERSELY AFFECTED

MarExpress! and MarexPO! were launched in June 2000. Accordingly, our core e-commerce solutions have a limited market history. If MarExpress! and MarexPO! do not achieve market acceptance, our business will be adversely affected.

WE FACE INTENSE COMPETITION

We perceive competition to be intense and we expect it to increase significantly in the future. We face competition from other companies with e-commerce offerings as well as traditional suppliers and distributors of marine products and marine companies that have or may develop their own online solutions. In addition, providers of online marketplaces and online auction services that currently focus on other industries may expand their services to include marine products. Our competitors and potential competitors may develop superior Internet solutions that achieve greater market acceptance than the Marex solution. In addition, substantially all of our prospective customers have established long-standing relationships with some competitors and potential competitors. We cannot be certain that we can compete successfully against future competitors.

OUR SOLUTION AND SERVICES ARE NEW AND FACE RAPID TECHNOLOGICAL CHANGES

The Internet market for the Marex solution is characterized by rapid technological advances, evolving standards in the Internet and software markets, changes in customer requirements and frequent new product and service introductions and enhancements. As a result, we believe that our future success depends upon our ability to enhance current Internet-based solutions and services, and where necessary, to integrate Internet-based solutions with customers' systems. If we do not adequately respond to the

need to enhance our solutions or services, then our business will be negatively affected. Further, we may incur significant expense to integrate purchasing solutions with customers' systems and to maintain this integration as customers' systems evolve. Failure to provide this integration may delay or altogether dissuade the marine market or a particular customer from adopting our Internet-based solutions.

WE WILL NEED TO MANAGE OUR EXPANDING BUSINESS

Our growth has placed, and is expected to continue to place, a significant demand on our sales, marketing, managerial, operational, information technology and other resources. If we cannot manage our growth effectively, our business will be adversely affected. Our current information systems, procedures and controls may not support expanded operations and may hinder our ability to take advantage of the market for e-commerce purchasing solutions to the marine industry.

WE DEPEND ON A MAJOR CUSTOMER

We have an agreement with one of the largest manufacturers of powerboats in the world for the utilization of our e-procurement solution. Our future growth is greatly dependent upon the utilization of our system by this major customer. If the agreement with this major customer is terminated, our business, results of operations and financial condition will be adversely affected.

WE DEPEND ON KEY PERSONNEL

Our performance is substantially dependent on the performance of the executive officers and other key employees. Failure to successfully manage personnel requirements would have a negative effect on the business. We have experienced difficulty from time to time in hiring the personnel necessary to support the growth of our business, and we may experience similar difficulty in hiring and retaining personnel in the future. Competition for senior management, experienced sales and marketing personnel, software developers, and other employees is intense, and we cannot be certain that we will be successful in attracting and retaining personnel. The loss of the services of any executive officers or key employees could have a negative effect on the business. Failure to obtain or retain the services of necessary executive officers or key employees may not support existing or expanded operations, and may hinder our ability to take advantage of the market for e-commerce purchasing solutions to the marine industry.

WE EXPECT THE PRICE OF OUR COMMON STOCK TO BE VOLATILE

The market price of our Common Stock may fluctuate significantly in response to a number of factors, some which are beyond our control, including the following: quarterly variations in operating results; changes in market valuation of Internet commerce companies; announcements of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; loss of a major customer or strategic partner, or failure to complete a sale to a significant customer; additions or departures of any key personnel; future sales of our Common Stock; and stock market price and volume fluctuations, which are particularly common among highly volatile securities of Internet companies.

SECURITY PROBLEMS MAY INHIBIT THE GROWTH OF INTERNET-BASED PURCHASING SOLUTIONS

A significant barrier to the adoption of e-commerce is the secure transmission of confidential information over public networks. Users generally are concerned with security and privacy on the Internet and any publicized security problems could inhibit the growth of the Internet, and therefore inhibit the Marex solution as a means of conducting transactions. If there is a breach in our security system, we may be required to make significant expenditures to protect against security breaches and to alleviate problems caused by such breaches.

SYSTEM FAILURE MAY CAUSE INTERRUPTION OF SERVICES

The performance of our server and networking hardware and software infrastructure is critical to our business and reputation, and affects our ability to process transactions, provide high quality customer

service and attract and retain customers, suppliers, users and strategic partners. Currently, the infrastructure and systems are located at one site in Atlanta, Georgia. We are in the process of adding a back-up and recovery site at our headquarters in Miami, Florida. Until then, we depend on single-site infrastructure. Any disruption to this infrastructure resulting from a natural disaster or other event could result in an interruption in service, fewer transactions and, if sustained or repeated, could impair our reputation and the attractiveness of the services.

WE MAY REQUIRE ADDITIONAL CAPITAL FOR OPERATIONS, WHICH COULD HAVE A NEGATIVE EFFECT ON YOUR INVESTMENT

We currently anticipate that our available funds will be sufficient to meet anticipated needs for working capital and capital expenditures for at least the next twelve months. We may need to raise additional funds in the future in order to fund rapid expansion, to develop new or enhanced solutions and services, to respond to competitive pressures, to acquire complementary businesses, or for other operating requirements.

If we raise additional funds through the issuance of equity or convertible securities, the percentage ownership of our stockholders will be reduced and may be additionally reduced if the right of the holders of the Series A1 Preferred Stock to amend the conversion price is triggered by the issuance of the equity or convertible securities. We cannot be certain that we will be able to raise additional capital on acceptable terms or at all.

WE DEPEND ON INTELLECTUAL PROPERTY RIGHTS

Our intellectual property is important to us. We seek to protect intellectual property through copyrights, trademarks, trade secrets, confidentiality provisions in customer, supplier and strategic relationship agreements, and nondisclosure agreements with third parties, employees and contractors. We cannot assure that measures we take to protect intellectual property will be successful or that third parties will not develop alternative purchasing solutions that do not infringe upon our intellectual property. In addition, we could be subject to intellectual property infringement claims by others. Failure to protect against misappropriation of intellectual property, or claims that we are infringing the intellectual property of third parties could have a negative effect on our business.

REGULATION OR TAXATION OF THE INTERNET OR TRANSACTING BUSINESS OVER THE INTERNET

Due to the increasing popularity and use of e-commerce, it is possible that a number of taxes, laws and regulations may be adopted in the U.S. and abroad with particular applicability to the Internet and e-commerce transactions. It is possible that governments will adopt taxes and enact legislation that may be applicable in areas such as content, product distribution, network security, encryption and the use of key escrow, data and privacy protection, electronic authentication or "digital" signatures, illegal and harmful content, access charges and re-transmission activities. Moreover, the applicability to the Internet of existing laws governing issues such as property ownership, content, taxation, defamation and personal privacy is uncertain. Taxes, laws or regulations may limit the growth of the Internet, dampen e-commerce and reduce the number of transactions, increase the cost of doing business or increase legal exposure. Any of these factors could have a negative effect on our business.

SEASONALITY

Our business is seasonal due to the impact of the buying and selling patterns of the members that utilize our system. The recreational marine industry is highly cyclical and is highly affected by several factors. Some of those factors are: (i) economic conditions, (ii) consumer confidence levels, and (iii) weather conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold any market risk sensitive instruments. As a result, this item is not applicable to our consolidated balance sheet as of March 31, 2001.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not involved in, or aware of, any material litigation.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBITS	DESCRIPTION OF DOCUMENT
3.1	Amended and Restated Articles of Incorporation of the Company (1)
3.2	Amended and Restated Bylaws of the Company (1)
3.3	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (3)
4.1	Certificate of Designation for the Series A1 Convertible Preferred Stock, par value $.01 (3)
4.2	Securities Purchase Agreement among Marex.com, Inc. and Certain Purchasers, dated March 2, 2000 (3)
4.3	Registration Rights Agreement among Marex.com, Inc. and Certain Purchasers, dated March 2, 2000 (3)
10.1	1996 Incentive Stock Option Plan, as amended (1)
10.2	Amended and Restated 1997 Stock Option Plan (2)
10.3	Company's Office Lease, 2701 South Bayshore Dr., Miami, FL, as amended (4)
10.4	Company's Office Lease, 5835 Blue Lagoon Dr., Miami, FL, as amended (5)

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(1) Previously filed as an exhibit to the Company's Form 10-SB and Amendment No. 1 to Form 10-SB.
(2) Previously filed as part of the Company's Form DEFS14A filed on October 19, 1999.
(3) Previously filed as an exhibit to the Company's Form 8-K filed on March 8, 2000.
(4) Previously filed as an exhibit to the Company's Form 10-K filed on March 23, 2000.
(5) Previously filed as an exhibit to the Company's Form 10-K filed on March 23, 2001.

(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the three months ended March 31, 2001.

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SIGNATURES

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

MAREX.COM, INC.

DATE: MAY 15, 2001 By: /s/ DAVID A. SCHWEDEL

David A. Schwedel
Chief Executive Officer

DATE: MAY 15, 2001 By: /s/ KENBIAN A. NG

Kenbian A. Ng
Chief Financial Officer
(Principal Financial and Accounting Officer)

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