

GANDER MOUNTAIN CO
Form 10-K
May 02, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED FEBRUARY 2, 2008

Commission file number: 0-50659

GANDER MOUNTAIN COMPANY

(Exact name of Registrant as Specified in its Charter)

Minnesota
(State or Other Jurisdiction of
Incorporation or Organization)

180 East Fifth Street, Suite 1300
Saint Paul, Minnesota 55101
(651) 325-4300
(Address, including zip code, and telephone number, including area code,
of Registrant's Principal Executive Offices)

41-1990949
(I.R.S. Employer
Identification No.)

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, par value \$0.01 per share**

Name of each exchange on which registered: **Nasdaq Global 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. 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 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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark 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. (Check one):

Large accelerated filer

Accelerated filer

Smaller reporting company

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Non-accelerated filer

(Do not check if a 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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately \$60,571,277 as of August 3, 2007, based upon the closing price of \$9.94 on the Nasdaq Global Market as reported on August 3, 2007. Shares of common stock held by each executive officer and director and by each person who beneficially owns more than 10% of the outstanding common stock have been excluded in that such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer and affiliate status is not necessarily a conclusive determination for other purposes.

As of April 25, 2008, the number of shares of common stock outstanding was 24,051,941.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's proxy statement for its 2008 annual meeting of shareholders to be held on or about June 11, 2008.

GANDER MOUNTAIN COMPANY
FORM 10-K
For the Fiscal Year Ended February 2, 2008

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Gander Mountain®, *Gander Mtn.*®, *Gander Mountain Guide Series*®, *We Live Outdoors*®, our logos and the other trademarks, tradenames and service marks of Gander Mountain mentioned in this report are our property. This report also contains trademarks and service marks belonging to other entities.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements regarding our business, financial condition, results of operations, performance and prospects. All statements that are not historical or current facts are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control, that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Certain of these risks and uncertainties are described in the "Risk Factors" section of this Annual Report on Form 10-K. These risks and uncertainties include, but are not limited to, the following:

the weather conditions in the markets we serve;

our ability to execute our current business strategy focusing on large-format stores;

our concentration of stores in the Great Lakes region of the United States and seasonal fluctuations in our business;

our ability to raise capital in the future;

our lack of familiarity with markets in which we will open future stores;

our ability to successfully expand into new product areas, such as boats;

our ability to locate suitable sites for new stores;

delays in new store openings;

our entry into the Internet and catalog businesses which are new businesses for us;

our ability to attract and retain management talent and store employees;

disruptions or natural disasters at our distribution facilities or that affect our information systems;

strain on our infrastructure, including increased demands on our information systems and distribution center resulting from our growth;

our ability to successfully implement changes to our information systems;

our ability to generate sales and control expenses in order to operate profitably;

changes in consumer preferences, general economic conditions or consumer discretionary spending;

energy and fuel prices;

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our ability to respond to increased competition;

the loss of key vendors or manufacturers, including foreign manufacturers of our owned-brand merchandise;

disruption or delays in shipments from domestic or foreign suppliers;

changes in commercial practices of our key vendors or manufacturers, such as changes in vendor support and incentives or changes in credit or payment terms;

increased regulation of the sale of firearms and related products;

the impact of product liability claims, other litigation and government regulations; and

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the interests of the members of the Pratt family, the Erickson family and their affiliates in our company and their ability to individually influence and collectively control matters approved by our shareholders.

In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed from time to time with the Securities and Exchange Commission, referred to as the Commission, that advise interested parties of the risks and factors that may affect our business

ITEM 1. BUSINESS

GENERAL

Gander Mountain Company operates the nation's largest retail network of stores specializing in hunting, fishing, camping, marine and outdoor lifestyle products and services. We have expanded our store base from 26 stores in 1997 to our current base of 113 conveniently located Gander Mountain outdoor lifestyle stores, providing approximately 6.2 million square feet of retail space in 23 states. We anticipate opening five new stores in fiscal 2008, including one relocation and the consolidation of two smaller format stores into one large-format store.

Since its origin in 1960, our brand name has developed a strong appeal and relevance to consumers who participate in outdoor sports and recreation activities. Our customers value our "We Live Outdoors" culture and theme. Our core strategy is to provide our target customers with a unique and broad assortment of outdoor equipment, accessories, related technical apparel and footwear; expert services; convenient locations; and value pricing. Our stores feature an extensive selection of leading national and regional brands as well as our company's owned brands. We tailor our merchandise assortments to take advantage of our customers' seasonal and regional or local preferences. We seek to combine this broad product offering with superior customer service based on our store associates' extensive product knowledge and outdoor-related experience.

In March 2003, we began transforming our market position from a traditional specialty store to a large-format, category-focused store. We did this by opening new stores in a large format and increasing the selling space within our original, small-format stores. Prior to March 2003, our typical store was approximately 31,000 square feet. Our large-format stores range from approximately 50,000 to 120,000 square feet, with our current focus primarily upon stores of 60,000 to 65,000 square feet plus an outside selling area. Our large-format stores are generally located with convenient access to a major highway and have an open-style shopping environment characterized by wide aisles, open bar-joint ceilings and high-density racking. To further build upon our brand's reputation for high quality and exceptional value, we are outfitting certain stores and our new stores with additional features such as brick and stone accents, log-wrapped columns, and improved branding, fixture, flooring and signage elements. As of February 2, 2008, 68 of our 113 stores were in our large format.

The larger format enables us to offer more products and services to our customers. In 2004 we began offering the Arctic Cat brand of all-terrain vehicles (ATVs) in our large format stores. In spring 2007 we began to feature the popular Tracker Marine Group boat brands in our stores, including Tracker and Fisher fishing boats, Sun Tracker and Fisher pontoon boats, Nitro and ProCraft high-performance fishing boats, Tahoe runabout/deck boats, Mako offshore/inshore fishing boats, and Kenner Bay boats. To support these efforts we began to offer power shop services in our larger stores, including maintenance and repairs for ATVs, boats and other small engines. We have learned that we can be most successful offering ATVs, boats and related power shop services in selected markets based on market demand, competitive conditions and customer preferences. As of fiscal 2007 year end, we had reduced the number of our large-format stores offering ATVs and Tracker brand boats to 22 and 27, respectively.

Our large-format stores offer other unique features and specialized services, including a full-service gunsmith shop, a full-service archery pro shop and archery target lanes. Some of the large-format stores also include a bait shop that opens early for the convenience of our customers. We utilize outside selling areas adjacent to most of our large-format stores to display additional offerings of larger items such as ATVs, boats, kayaks, trailers and canoes.

Nearly all of our stores have a Gander Mountain Lodge, which is an in-store meeting room available for public use, where we provide hunter safety classes, outdoor-skills seminars and other community-focused activities.

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On December 6, 2007 we acquired Overton's, Inc., a leading internet and catalog marketing company targeting recreational boaters and water sports enthusiasts. Overton's product line is extensive, ranging from water skis, wakeboards and apparel to electronics, boat covers, boat seats and other marine accessories. Overton's products are sold under two principal brands, Overton's and Consumers Marine, through a multi-channel approach that includes catalogs, websites (www.Overtons.com and www.Consumersmarine.com) and three retail showrooms. Overton's is a wholly-owned subsidiary of Gander Mountain headquartered in Greenville, North Carolina.

We were originally organized as a Delaware limited liability company on November 27, 1996, and we converted to a Delaware corporation on December 31, 2000. We reincorporated in Minnesota in January 2004 by merging into our wholly owned subsidiary formed solely for that purpose. We completed our initial public offering in April 2004 and our common stock is traded on the Nasdaq Global Market under the symbol "GMTN." Our principal executive offices are located at 180 East Fifth Street, Suite 1300, Saint Paul, Minnesota 55101, and our general telephone number is (651) 325-4300.

We maintain a corporate website at www.GanderMountain.com. The information contained on and connected to our website is not incorporated into this report. On our website, you can access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all other reports we file with the Commission, as soon as reasonably practicable after we electronically file these reports with, or furnish them to, the Commission. You can also request free copies of these reports on our website or by calling investor relations at 651-325-4600. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically at www.sec.gov.

FISCAL 2007 HIGHLIGHTS

We acquired Overton's, Inc., a leading internet and catalog marketing company targeting recreational boaters.

We opened thirteen new stores, including three relocated stores, expanding our industry-leading retail network to a total of 113 stores offering approximately 6.2 million square feet of retail space. We also closed two unprofitable stores in the fourth quarter of fiscal 2007.

We entered one new state in the year Mississippi bringing our total number of states to 23. In addition to adding this new market, we added nine new stores in the southern and southeastern markets, which increases the total number of stores in southern markets to 28.

OUR BRANDS' HISTORY

Gander Mountain was founded in Wilmot, Wis., in 1960, as a catalog operation and developed into one of the largest outdoor catalogs in the United States, with significant name recognition and brand equity within the outdoor lifestyle sector. Subsequently, the company expanded into retail operations. In 1996, the company discontinued its catalog operations. In 1996 and 1997, Holiday Companies, which at the time owned and operated ten retail sporting goods stores, acquired the 17 existing Gander Mountain retail stores and began to utilize the historic Gander Mountain brand to build a new outdoor lifestyle business. In March 2003, we began transforming our market position from a traditional specialty store to a large-format, category-focused store.

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Overton's traces its roots to 1970 when Parker Overton began buying water skis directly from manufacturers and reselling them from his father's Greenville, NC grocery store. Overton's Inc. was soon formed and the company began a catalog marketing effort promoting water skis, mailing their first color catalog in 1978. Overton's sales reached \$1 million by 1980. In order to reach a broader base of customers and better meet current customer needs, the company introduced a marine accessories line that same year. By 1989, Overton's was recognized as a leader in "water sports," with sales reaching \$25 million, and the company earning a reputation for superior service, good value and quality products. During the 1990's, the Company continued to grow catalog circulation and sales and added significant distribution capacity. In 1996, the company launched an internet website (www.Overtons.com) and continued to grow sales through this new marketing channel. In 2003, Parker Overton sold Overton's Inc. to a private equity investment group. In 2004, Overton's acquired Consumers Marine Electronics to expand its product offering. Overton's annual net sales were approximately \$93 million in 2006.

OUR GROWTH STRATEGY

Our long-term strategic objectives are to:

build upon the Gander Mountain brand name and significantly expand our network of retail stores in order to capture additional market share and expand our geographic diversity;

offer our customers the best combination of a broad assortment of products and services, convenience and value in the outdoor lifestyle sector;

enhance our growth by adding new products and services that meet the needs of our customers;

improve our profitability by leveraging our increasing scale to improve margins and enhance productivity, and by controlling expenses; and

develop and expand our internet and catalog selling capabilities in order to offer current and potential customers more shopping opportunities.

Expand Our Network of Retail Stores

Consolidate an Underserved Market. We believe that our unique retail concept has broad appeal and that there are significant opportunities for profitable new store expansion. By adding new stores, we both capture additional market share and diversify our operations within the large, highly fragmented and underserved outdoor lifestyle market. We strategically locate our outdoor lifestyle stores in suburban and rural areas with a high concentration of our target outdoor enthusiast customers and near hunting, fishing, camping, boating and other outdoor recreation destination areas.

We intend to open stores in new markets and to further penetrate our existing markets to capture additional market share. We opened thirteen stores in fiscal 2007, all of them in our large format, including the replacement of three smaller stores with new, large-format stores.

We plan to open five additional stores in fiscal 2008 in both existing and new markets, including one relocation and the consolidation of two smaller format stores into one large-format store. Most of these new stores will be located in moderate to mid-sized markets that meet our site selection criteria. While we will continue to build stores in urban markets, we believe that moderate to mid-sized markets offer great opportunities. In these markets, we are often the only retailer offering a broad selection of products and services to outdoor enthusiasts, and it is less likely that one of our larger competitors will enter one of these markets once we are established there. We will continue to expand our retail network in southern and southeastern markets in order to increase our geographic diversity.

Employ a Flexible Real Estate Strategy. Our flexible real estate strategy allows us to open stores in different sizes depending on market characteristics, demographics and availability of sites. Our ability to

adapt our store format gives us flexibility to utilize both recycled, or second-use, facilities and build-to-suit opportunities as the market dictates.

Control Building Costs to Maximize Expansion of Our Retail Network. We continually monitor and seek to optimize our investment in our stores on a per-store basis. One way we do this is by using recycled real estate where available which is often available for lesser rental rates than new properties. We also use outdoor selling space adjacent to our stores to display large items like ATVs, boats and trailers. This reduces our rent per store while still enabling us to display our full assortment of products. We believe that our ability to control our investment per-store will allow us to maximize the expansion of our network of conveniently located retail stores.

Offer Our Customers the Best Combination of a Broad Assortment of Outdoor Lifestyle Products and Services, Convenience and Value

Offer a Broad Assortment of Outdoor Lifestyle Products. We offer a broad assortment of outdoor equipment, accessories, related technical apparel and footwear. Our stores feature an extensive selection of leading national and regional brands as well as our company's owned brands. We tailor our merchandise assortments to take advantage of our customers' seasonal preferences, as well as regional or local preferences.

Another important element of our merchandise strategy is the anticipation of merchandise trends and consumer preferences as we aim to be the first to market with new and innovative products. We continually assess opportunities to add complementary product lines desired by our customers. We seek to combine this broad product offering with superior customer service based on our store associates' extensive product knowledge and outdoor-related experience.

Offer Convenience. We believe our ability to tailor the size of our stores to the needs of each market and utilize both new and recycled real estate enables us to target both larger and mid-sized markets and to cluster our stores in key markets, such as the Minneapolis/St. Paul metro area and Houston. We provide our customers more convenient shopping opportunities closer to where they live, work or enjoy their recreational activities than certain of our larger competitors who specialize in building a more limited number of large destination retail stores.

Offer Value. Our pricing policy is to offer our customers the best value on our broad assortment of products and services. We believe our competitive pricing reinforces our strong value proposition and instills price confidence in customers in each of our markets. We achieve price leadership through our commitment to an every-day-low-price strategy and supporting policies such as our "Low Price Guarantee." Our store format reinforces this commitment to value.

Offer Convenient Expert Services. As the nation's largest retail network of stores specializing in hunting, fishing, camping, boating, marine and outdoor lifestyle products and services, we have a unique opportunity to become the "provider of choice" for a broad range of outdoor-related customer services. Our convenient locations make it easy for our customers to rely on us to provide expert services to enhance their outdoor experiences.

We plan to build on our current base of services to strengthen our position as the solution to all of our customers' needs for outdoor recreation. We are the largest employer of professional gunsmiths in the country, with gunsmiths in almost all of our stores and a larger central gunsmith facility in our Kenosha, Wis., store to provide advanced services. We also have archery technicians in every store to provide customization and repair services for archery enthusiasts, and we have archery shooting lanes in our large-format stores. Certain of our large-format stores offer a power shop that provides repair services for ATVs, boats and any other small engines. We also offer fishing reel line winding, hunting and fishing license sales and other value-added technical support services. We continually assess opportunities to add complementary services desired by our customers.

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We use the Gander Lodge in each of our stores to provide classes and demonstrations that contribute to our customers' enjoyment of their outdoor activities. Many of these sessions are conducted by our knowledgeable associates, who provide expert advice to our customers every day. We conduct a number of gun-safety classes, and in many of our markets we are the leading provider of hunter education.

Add New Products and Services to Continually Meet Customers' Needs. We use input from our customers to add to our already extensive assortment of products and services to better meet the needs of our customers. In recent years we have added Arctic Cat ATVs and Tracker Marine Group boats to our product offerings and developed power shop services to complement these products. Our recent acquisition of Overton's will enable us to significantly expand our offerings of marine and water sports products and accessories.

Develop and Expand our Direct-To-Consumer Marketing Channel and Leverage Synergies with our Retail Network

The acquisition of Overton's provides us with an immediate platform to develop, expand and capitalize on the market opportunity present in the outdoor lifestyle business by reaching existing and new consumers through catalog and Internet. The Overton's expansion will target many product categories of our business, including fishing and marine, apparel, and camping and other outdoor lifestyle categories. The Gander Mountain catalog and web site capabilities will be focused on hunting and hunting related products. We have already developed and begun an initiative to integrate an expanded Overton's catalog into our retail network of 113 stores. We expect to have that marketing effort produce tangible results as early as May 2008. Other strategies will be developed over time to cross-merchandise our products and Overton's products to each company's existing customer base. Pursuant to a non-compete agreement entered into by Overton's as part of a previous transaction in 2002, Overton's is restricted from selling hunting related products until March 2009. From the combined Overton's and Gander direct initiatives, we expect to develop and utilize customer databases that will provide more insight into consumers' merchandise preferences and provide us the ability to increase sales penetration. We believe the combination of expanded catalog reach and new direct marketing capabilities can be a significant driver of the growth of our brand and serve as an important marketing tool for our retail business.

Improve Our Productivity and Profitability

Implement Operating Initiatives. We are pursuing a number of initiatives designed to improve product margin. These include sourcing more of our product directly and expanding the penetration of our owned-brand merchandise where appropriate. Other initiatives are designed to improve how we display our merchandise so our stores are easier to shop. We are also focused on initiatives to continue to improve our supply chain to improve inventory turnover and reduce inventory per store, to reduce store labor costs by eliminating non-selling tasks and to control corporate expenses.

For fiscal 2008, our key initiatives are:

Gander Gunsmith Certified Program and Gander Gun Owners Club In late 2007 we launched programs intended to provide additional value and benefits to our firearms customers and capitalize on our industry leading staff of certified gunsmiths. Under this program, we extend the manufacturer's standard warranty on firearms for an additional year providing complete coverage for parts and labor, our gunsmiths inspect every used gun we sell, and we provide a free gun cleaning and safety inspection, membership in the Gander Gun Owners Club, trade-in benefits and other incentives. The confidence that our customers can derive from this program cannot be matched by our competitors and is reflected in our slogan "Gander Gunsmith Certified Every Gun, Every Day." Through the Gander Gun Owners Club we provide

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additional special benefits and incentives for members and build a database of some of our best customers.

Fieldwear We are implementing several merchandising initiatives to drive increased sales of fieldwear. We are also reconfiguring the layout of our fieldwear section to increase our space allocation and improve navigation. Importantly, we are staffing sales in our fieldwear section with associates from our hunting department, rather than the apparel department. These hunting associates bring added knowledge and personal field experience to enhance the sales process.

Apparel Over the past year we have embarked on a significant redesign and upgrade of our men's and women's apparel offerings. The improved quality and styles will be displayed in our stores this fiscal year. We have expanded our offerings in certain categories, including denim, work wear and logo wear. We have also designed our product sets around a five-season concept that we believe will enable us to cycle more quickly through apparel inventory and offer new product sets in our stores more often throughout the year.

Footwear We are expanding our successful footwear program through our retail network. The program for this fiscal year includes expanded assortments of action footwear and cross-trainers, as well as an expanded assortments of women's and youth models.

Focus 25 Stores We are putting an intense focus on improving performance in existing stores. We have also identified 25 stores where we believe we have the greatest opportunity to grow sales and improve profitability. Some of these stores are strong market leaders in their respective areas and some are not performing to our expectations. In each case, we intend to bring additional management and financial support to these Focus 25 stores to capitalize on the opportunities we see to grow sales.

We measure performance using key operating statistics such as comparable store sales; sales per square foot; gross margin percentage; and store operating expenses, with a focus on labor, as a percentage of sales. Store operating contribution, which is calculated by deducting a store's operating expenses from its gross margin, is used to evaluate overall performance on an individual store basis. In addition, selling, general and administrative expenses are monitored in absolute amounts, as well as on a percentage-of-sales basis.

Leverage Our Increasing Scale. We are focused on increasing our store operating margins and profitability through improved purchasing leverage as we grow and develop stronger relationships with our vendors. We believe the expansion of our direct marketing efforts through the Internet and catalogs via our acquisition of Overton's and our intended launch of a Gander Mountain Internet store and catalogs will further enhance our scale and provide additional opportunities to improve profitability.

OUR PRODUCTS AND SERVICES

The key elements of our merchandise strategy that reinforce our "We Live Outdoors" culture and theme are:

offer an extensive selection of products at highly competitive prices on an everyday basis in our large-format stores;

focus on nationally branded products;

complement our branded product offerings with our proprietary brands, including *Gander Mountain*, *Guide Series* and *Three Forks Ranch*, and in the marine and water sports areas, *Overton's*, *Gladiator*, and *Dockmate*;

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tailor our merchandise assortments to local and regional market preferences to take advantage of the seasonal nature of our customers' outdoor activities;

introduce new, on-trend merchandise early in its product life-cycle; and

support our customers with a superior level of assistance, product expertise and value-added, in-store technical support services.

Product Offerings

Since the acquisition of Overton's, we now have two reportable segments: Retail and Direct. The Retail segment sells its outdoor lifestyle products and services through its 113 retail stores located in 23 states. The Direct segment is the Internet and catalog operations of Overton's, offering primarily boating and watersports accessory products through numerous direct mail catalogs and its e-commerce websites. We evaluated our operating and reporting segments in accordance with SFAS No. 131 and considered the discrete financial information reviewed by our chief operating decision maker in making decisions regarding allocation of resources and in assessing performance. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. Prior to December 6, 2007, we operated under one segment, Retail. Results by business segment are presented in the following table for fiscal year 2007.

Fiscal Year 2007

in thousands

	Retail	Direct	Total
Sales	\$ 963,863	\$ 5,540	\$ 969,403
Adjusted EBITDA	\$ 22,157	\$ (380)	\$ 21,777
Interest expense	(19,104)	(641)	(19,745)
Income tax provision	(750)		(750)
Depreciation and amortization	(26,418)	(185)	(26,603)
Exit costs, impairment and other charges	(6,493)		(6,493)
Net Loss	\$ (30,608)	\$ (1,206)	\$ (31,814)
Total assets	\$ 622,050	\$ 57,882	\$ 679,932
Inventories	384,510	19,173	403,683
Goodwill and intangible assets	7,083	66,818	73,901
Long term debt	\$ 26,673	\$ 37,500	\$ 64,173

We offer a broad and deep assortment of equipment, apparel, footwear, related accessories and consumable supplies to meet the outdoor activity needs of our customers. The extensive breadth and depth of our product offerings allow us to carry a full range of merchandise at price points within each category to appeal to customers ranging from the beginner to the expert.

Another important element of our merchandise strategy is anticipating new merchandise trends and consumer preferences and attempting to be the first to market with new products. Our goal is to capitalize on new merchandise trends early in their product life cycles. We are able to do this by frequent communications between our customers, store associates, buyers and vendors, and by utilizing consumer research.

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The following table shows our sales during the past three fiscal years by product category:

Category(1)	Fiscal 2007	Fiscal 2006	Fiscal 2005
Hunting	43.0%	45.1%	42.8%
Fishing and Marine(2)	16.0%	14.6%	15.5%
Camping, Paddlesports and Backyard Equipment	7.2%	7.7%	8.3%
Apparel and Footwear	24.0%	25.1%	26.3%
Powersports	6.8%	4.3%	3.8%
Other	1.8%	2.3%	2.5%
Parts and services	1.2%	0.9%	0.7%
Total	100.0%	100.0%	100.0%

(1) Certain reclassifications to categories have been made. All years are stated on a comparable basis.

(2) Overton's sales of \$5.5 million for two months of fiscal 2007 have been included in the Fishing and Marine category.

Hunting. Hunting is our largest merchandise category, representing approximately 43% of our sales during fiscal 2007. Our hunting merchandise assortment provides equipment, accessories and consumable supplies for virtually every type of hunting and sport shooting. Gunsmith services and archery technicians support our hunting assortments to service the complete needs of the hunter.

Our hunting assortment includes a wide variety of firearms, including rifles, shotguns, handguns, air guns and black powder muzzle loaders. We also buy and sell used firearms. In addition to firearms, we carry a wide selection of products in the ammunition, hunting equipment, optics, dog training, archery and food plots/feeding categories.

Fishing and Marine Accessories. Fishing and marine accessories represented approximately 16% of our sales during fiscal 2007 and includes products for fresh-water fishing, salt-water fishing, fly-fishing, ice-fishing and boating. Our broad assortment appeals to the beginning angler and the weekend angler, as well as avid and tournament anglers. In addition to lures, rods and reels, our fishing assortment features a wide selection of products in the tackle supplies, electronics, fly-fishing, ice-fishing and marine accessories categories. We also provide fishing line winding services in all of our stores and live bait in most of our large-format stores.

Our marine accessory assortment includes products for boat care and maintenance, as well as safety equipment and products for fun on the water, such as wake boards and tubes. Our acquisition of Overton's allows us to expand our marine product line including specialty water sports and accessories, marine apparel, electronics, boat covers and boat seats.

Camping, Paddlesports and Backyard Equipment. Camping, paddlesports and backyard equipment represented approximately 7.2% of our sales during fiscal 2007. Our camping assortment primarily focuses on family camping and the weekend hiker, and includes the camping, paddlesports, backyard cooking and entertainment, and food processing product categories.

Apparel and Footwear. Our apparel and footwear product categories include both technical gear and lifestyle apparel for the active outdoor enthusiast. Apparel and footwear represented approximately 24.0% of our sales during fiscal 2007, and our assortments in these categories include fieldwear, sportswear, work wear and marine wear.

Fieldwear apparel and footwear offer technical performance capabilities for a variety of hunting activities, including upland, waterfowl, archery, big game hunting, turkey hunting and shooting sports.

Performance attributes include waterproofing, temperature control, scent control features and visual capabilities, including camouflage and blaze orange. Outerwear, particularly performance rainwear, is an important category for customers who are fishing, hiking, hunting or marine enthusiasts.

We complement our technical apparel with an assortment of casual apparel and footwear that fits our customers' lifestyles, as well as workwear and boots.

Power Sports. Certain of our large-format stores carry an assortment of ATVs and ATV accessories, boats and a small number of power tools. We are one of the largest ATV dealers in the country. In addition to selling a high volume of units, we typically sell a significant amount of accessories with each vehicle. Our power sports category represented approximately 6.8% of our sales during fiscal 2007.

Many of our customers view ATVs as working vehicles and appreciate the broad assortment of accessories and attachments we carry to enhance their effectiveness. These attachments range from simple trailers and blades to expensive cultivators that hunters use to plant food plots for game on their hunting land. Our expansion into the ATV market led us to develop our power shop services. Our service shops provide a full range of services and parts and are staffed with trained technicians who can service most small engines. As we have expanded our offering of boats, our power shop services have expanded to provide marine engine services.

As of February 2008, we distributed a full line of Tracker Marine Group's popular line of fishing and recreational boats in 27 of our stores. In addition, we carry Tracker Marine Group jon-boats in all stores and Mercury or Yamaha engines in selected stores. We also offer small fishing boats, kayaks, canoes and small boat motors.

Other. Products in this category include cabin and ranch décor items, gifts, books, videos and food.

We also operate Outdoor Expeditions, a travel business that specializes in packaging hunting and fishing trips to domestic and international destinations and providing expert advice on selecting outdoor destinations, gear outfitting, accommodations and guide services. Our Outdoor Expeditions staff has accumulated a wealth of knowledge and expertise in packaging rewarding hunting and fishing vacations. We do not own or lease any hunting land or provide guide services.

Focus on Branded Products

Our primary merchandise focus is to offer our customers a broad selection of competitively priced national and regional brand products. Our national-brand focus is driven by our customers' buying preferences for national brands and the fact that the national-brand manufacturers are often responsible for most of our industry's new product innovation and development. We not only offer an extensive breadth of brands across multiple product categories, but also offer extensive depth of product within most brands.

Another important element of our branding strategy is the development of strong owned brands, primarily *Gander Mountain*, *Guide Series* and *Three Forks Ranch*, by leveraging the strength of our brand image to create our own line of high-quality products. Our owned-brand strategy is designed to augment our assortment of nationally and regionally branded merchandise with our owned-brand products in select merchandise categories. While the majority of owned-brand products are in the apparel category, we offer an expanding assortment of owned-brand equipment.

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Our *Gander Mountain* and *Guide Series* products are designed and priced to offer our customers the quality characteristics of many of our branded products at a price that reflects exceptional value. We believe that by offering a high-quality, competitively priced owned brand, we create an even more compelling value proposition for our customers. Our *Three Forks Ranch* line of products is comprised of premium hunting and fishing apparel and equipment. Our owned-brand products are sourced from a diversified group of established vendors. Owned brand products accounted for approximately 13% of our total sales in fiscal 2007 and approximately 11% of our sales in fiscal 2006.

In the recreational boating, specialty water sports and marine accessories categories, our *Overton's*, *Gladiator*, and *Dockmate* brand products are recognized for quality and value. These branded products include wetsuits, towables, water skis, wakeboards, flotation vests, dock supplies and other marine accessories.

Localization and Relevancy of Product Assortment

We customize our merchandise assortment on a market-by-market basis. We do this by featuring well-known regional brands that we augment with local brands, allowing us to tailor our merchandise assortment to the local market. This is extremely important across many of our merchandise categories, given the significant differences in product and brand preferences. Also, as we expand geographically, we need to merchandise each of our stores appropriately for the climate and seasonal variations from market to market.

Services

We provide our customers with a wide range of in-store, value-added, technical support services. Nearly all of our stores offer full-service gunsmith shops, archery technicians, fishing-reel line winding, and hunting and fishing license sales. We also offer small-engine repair services at all of our stores that sell ATVs, including servicing of boat motors. We believe that offering these services is consistent with our goal of offering products and services for all our customers' outdoor lifestyle needs. It is also an important driver of additional sales by building customer traffic and enhancing our relationships with our customers. We believe the ability to provide the necessary technical support in our major product categories is essential to our positioning in the outdoor lifestyle market. We also provide training and seminars for our customers, including gun-safety training, in all our stores.

Pricing

Our pricing policy is to maintain prices that are competitive in our markets. We believe our competitive pricing strategy reinforces our strong value proposition, instills price confidence in both our customers and our store associates, and is a critical element of our competitive strategy. We achieve price leadership through our commitment to an every-day-low-price strategy and supporting policies such as our "Low Price Guarantee." Our *Three Forks Ranch* line of products is priced at a level reflecting the premium quality of the apparel and equipment.

Store Design and Visual Merchandising

We design our large-format, open-style stores to create an exciting shopping environment and to highlight our extensive product assortments. We use our store design and layout to emphasize our positioning as a value-oriented outdoor lifestyle retailer. We use a variety of display fixtures, in-aisle merchandise displays, tables and end-caps to create a functional design that enables us to expand and adjust the size of our merchandise offerings by season and market. To further build upon our brand's reputation for high quality and exceptional value, we are outfitting certain stores and all of our new stores with additional features such as brick and stone accents, log-wrapped columns, and improved branding, fixture, flooring and signage elements.

PURCHASING AND DISTRIBUTION

Our merchandising team is responsible for all product selection and procurement except for certain purchases by our store managers to address local customer preferences or seasonal considerations. In addition, our merchandising team's responsibilities include the determination of initial pricing, product marketing plans and promotions. They coordinate with our merchandise planning and allocation team to establish inventory levels and product mix. Our merchandising team also regularly communicates with our store management to monitor shifts in consumer tastes and market trends.

Our merchandise planning and allocation team is responsible for merchandise distribution, inventory control, and replenishment. This team also coordinates the inventory levels necessary for each advertising promotion with our buyers and our advertising department. They track the effectiveness of each advertisement to allow our buyers and our advertising department to determine the relative success of each promotional program. Other responsibilities include price changes, creation of purchase orders and determination of store-level inventory.

We purchase merchandise from over 2,200 vendors. We have no long-term purchase commitments, and no single vendor represented more than 4% of our purchases during fiscal 2007.

We operate a distribution center to which vendors ship our merchandise. We lease a second building of approximately 202,000 square feet to add additional capacity at our distribution center, bringing the total capacity to 427,000 square feet. Our product is processed at our distribution center as necessary and shipped to our stores. In addition, approximately 20% of our merchandise is shipped directly to our stores by the vendors.

Overton's operates a fulfillment and distribution center in Greenville, North Carolina, with capacity of approximately 383,000 square feet for its Internet and catalog marketing business. This business distributes substantially all of its products direct to consumers. Overton's also maintains an efficient call center operation that is seasonally staffed from approximately 60 to 150 employees. Calls are answered 24 hours/365 days per year and forecasted and monitored on an hourly basis to maximize agent utilization and service levels.

We believe that we will be able to service our existing stores from our distribution center through fiscal 2009. We have undertaken a study to analyze our future distribution requirements. We believe we will need to expand our distribution capabilities in two to three years depending on our business success, the number of additional new stores we build in the future and the growth of our Internet and catalog business.

MARKETING AND ADVERTISING

Our marketing strategy communicates our "We Live Outdoors" culture and theme and is designed to emphasize Gander Mountain's position in the market as a leader in selection, service and competitive pricing in our core categories hunting, fishing, camping, boating, apparel and footwear. In addition, we seek to develop a unique relationship with our customers and establish our store associates as true experts in their field. Our advertising calendar focuses on the key hunting, fishing and camping seasons.

We use a combination of radio, print, television, and outdoor advertising to communicate our message. We anticipate our primary advertising vehicle in fiscal 2008 will be radio. Print advertising will support store openings and other events, using a combination of newspapers and direct mail appropriate to our markets. We also utilize television advertisements, sponsorships of key sporting events and fishing tournaments, event marketing and grassroots marketing through support of community organizations. In addition, our "We Live Outdoors" television show airs on The Outdoor Channel.

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A significant element of our local and grassroots marketing effort is our use of the Gander Mountain Lodge. The Lodge is a designated space in nearly all our stores that serves as a meeting place for local outdoor groups. Our store management schedules presentations and training seminars from our world-class pro-staff in conjunction with natural resource organizations, including local chapters of Ducks Unlimited, Pheasants Forever, Muskies, Inc. and boy and girl scout troops. The Lodge is also used for firearms training and youth certification, making us one of the largest providers of hunter safety training in the country.

Overton's direct business uses the Internet and catalogs as marketing tools to generate sales. Orders are received via the Internet, telephone and by mail. Overton's produces and distributes over 15 million catalogs annually in multiple editions throughout the year. Overton's employs a variety of marketing tools, including its proprietary customer database, Internet marketing arrangements, email marketing and direct mail.

RETAIL STORES AND MARKETS

Store Locations

The following table lists the location by state of our 113 stores open as of February 2, 2008:

States and Number of Stores			
Northern Markets		Southern Markets	
Colorado	2	Alabama	1
Illinois	4	Arkansas	1
Indiana	6	Florida	3
Iowa	2	Kansas	1
Maryland	1	Kentucky	2
Michigan	13	Mississippi	1
Minnesota	12	North Carolina	3
New York	9	Tennessee	3
North Dakota	1	Texas	10
Ohio	9	Virginia	2
Pennsylvania	12	West Virginia	1
Wisconsin	14		
	85		28

We have announced plans to open five new stores in fiscal 2008, including one relocation and the consolidation of two smaller format stores into one large-format store. These new stores will further increase our geographic diversity.

Site Selection

We select geographic markets and store sites on the basis of:

demographic information,

quality and nature of neighboring tenants,

store visibility,

accessibility and

lease economics.

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Key demographics include not only population density, but also the number of outdoor activity participants, as measured by hunting and fishing licenses, and proximity to outdoor recreation areas. While we will continue to build stores in urban markets, we believe that moderate to mid-sized markets offer great opportunities. In these markets, we are often the only retailer offering a broad selection of products and services to outdoor enthusiasts, and it is less likely that one of our larger competitors will enter one of these markets once we are established there.

Generally, we seek to locate our new stores in retail areas with major discount retailers, such as Wal-Mart or Target, or other specialty retailers, such as The Home Depot, Bed, Bath and Beyond or Best Buy. Our market and site selection decision-making process is ultimately based on the projected economics of the new store.

Our ability to adapt our store format gives us flexibility to utilize both recycled, or second-use, facilities and build-to-suit opportunities as the market dictates. We have the flexibility to adapt our store model from 30,000 square feet up to 120,000 square feet. We are now building our large-format stores primarily at 60,000 to 65,000 square feet, and we prefer sites where we can include an outside selling area to display large items such as ATVs, boats, trailers, kayaks and canoes. We believe that there is ample availability of recycled real estate at reasonable occupancy costs to accommodate a portion of our future growth. We believe that our flexible real estate strategy will assist us in meeting our expansion objectives and operating with reasonable occupancy costs.

Our expansion strategy is to open stores in both new and existing markets. In our existing markets, we will add stores to further penetrate certain market areas. In certain situations, opening new stores in existing markets will negatively impact comparable store sales for a period of time. However, by clustering our stores, we seek to gain additional market share and take advantage of economies of scale in advertising, promotion, distribution and management supervisory costs. In new markets, we generally seek to expand in geographically contiguous areas in order to build on our experience in the same or nearby regions. We intend to continue our expansion into the southern and southeastern markets of the U.S. in order to expand our geographic diversity.

INFORMATION SYSTEMS

Over the past several years, we have made significant investments in our infrastructure, including our information systems, distribution capabilities and management ranks, to support our accelerating growth. We use enterprise-wide merchandise and financial systems which we believe are scalable. In fiscal 2007, we continued to upgrade our merchandise and information systems providing enhanced efficiencies in buying, receiving, payables management and provide better and more detailed operating information for decision making and continued supply chain improvement. We expect to continue to evaluate, modify and update our information systems over the next several years.

SEASONALITY

Our business is subject to seasonal fluctuations. We generated 60% of our annual sales in the third and fourth quarters of fiscal 2007 and approximately 63% of our annual sales in those same quarters of fiscal 2006. The third and fourth quarters are primarily associated with the fall hunting seasons and the holiday season. In addition, we typically have opened a greater number of new stores during the second half of the year, which further increases the percentage of our sales generated in the third and fourth fiscal quarters. We also incur significant additional expenses in the third and fourth fiscal quarters due to higher volume and increased staffing in our stores.

Unseasonable weather conditions affect outdoor activities and the demand for related apparel and equipment. Customers' demand for our products, and therefore our sales, can be significantly impacted by weather patterns.

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We are working to reduce the seasonality of our business by opening new stores in the south and southeast. As of the end of fiscal 2007, we have increased our number of stores located outside our traditional northern markets to 28 stores. Customers in these markets enjoy longer seasons for outdoor activities. As we open more stores in these regions, we expect over time to increase the percentage of our sales that are generated in the first half of the year. Our acquisition of Overton's expands our marine business, which we believe will increase our sales in the first half of our fiscal year.

EMPLOYEES

As of February 2, 2008, we had 6,238 associates, approximately 2,650 of whom were employed by us on a full-time basis. We also employ additional associates during peak selling periods. We consider our relationships with our associates to be good. None of our associates are covered by a collective bargaining agreement.

COMPETITION

We operate in a large, highly fragmented and competitive industry, which we believe is currently underserved. The outdoors is an integral part of many Americans' lifestyles. We believe the principal competitive factors in our industry are breadth and depth of product selection, value pricing, convenient locations, technical services, and customer service. Our principal competitors include the following:

local specialty stores;

large-format entertainment-focused outdoor retailers, such as Cabela's and Bass Pro Shops;

other outdoor-focused chains, such as Sportsman's Warehouse;

catalog and Internet-based retailers, such as Cabela's, Bass Pro Shops and The Sportsman's Guide;

traditional sporting goods chains, such as Dick's Sporting Goods, The Sports Authority and Academy;

discount chains and mass merchants, such as Wal-Mart and Kmart;

ATV and boat dealers;

power shops; and

marinas and marine supply stores, such as West Marine and Boater's World.

Local Specialty Stores. These stores generally range in size from approximately 2,000 to 10,000 square feet, and typically focus on one or two specific product categories such as hunting, fishing or camping and usually lack a broad selection of product.

Large-Format Entertainment-Focused Outdoor Retailers. These large-format retailers generally range in size from 100,000 to 250,000 square feet and seek to offer a broad selection of merchandise focused on hunting, fishing, camping and other outdoor product categories. These stores combine the characteristics of an outdoor retailer with outdoor entertainment and theme attractions. We believe the number of these stores that can be supported in any single market area is limited because of their large size and significant per-store cost.

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Other Outdoor-Focused Chains. These smaller chains typically focus on offering a broad selection of merchandise in one or more of the following product categories hunting, fishing, camping or other outdoor product categories. The largest of these chains is significantly smaller than our company. We believe that these other outdoor-focused chains generally do not offer a similar depth and breadth of merchandise or specialized services in all of our product categories.

Catalog and Internet-Based Retailers. These retailers sell a broad selection of merchandise through the use of catalogs and the Internet. The products are competitively priced and the direct channel offers relative convenience to customers. However, catalog and Internet retailers are not able to provide face-to-face customer service and support, nor offer the expert technical, repair and other services that are provided at our retail stores.

Traditional Sporting Goods Chains. These stores generally range from 20,000 to 80,000 square feet and offer a broad selection of sporting goods merchandise covering a variety of sporting goods categories, including baseball, basketball, football, and home gyms, as well as hunting, fishing and camping. However, we believe the amount of space devoted to our outdoor product categories limits the extent of their offerings in these areas.

Discount Chains and Mass Merchants. These stores generally range in size from approximately 50,000 to over 200,000 square feet and are primarily located in shopping centers, free-standing sites or regional malls. Hunting, fishing and camping merchandise and apparel represent a small portion of the store assortment, and of their total sales.

ATV and Boat Dealers. In many markets, the retail ATV and boat industries are served by franchise and independent dealers. Although most competitors are primarily local in focus, some of these companies operate retail ATV or boat stores on a national or regional basis. We are subject to competition from dealers that sell the same brands of new ATVs or boats that we sell and from dealers that sell other brands of ATVs or boats that we do not represent in a particular market. Certain ATV or boat manufacturers may designate specific marketing and sales areas within which only one dealer of a given brand may operate. We may also be impacted by various state franchise or dealer protection laws from featuring a particular brand of ATV or boat within any area that is served by another dealer of the same brand, and we may need manufacturer approval to relocate or feature a particular brand in a new store.

Power Shops. Our power shop operations are subject to competition from independent ATV and boat service shops and service center chains. We believe that the principal competitive factors in the service and repair industry are price, location, the use of factory-approved replacement parts, expertise with the particular ATV and boat lines, and customer service.

Marinas and Marine Supply Stores. There are national chains that sell marine accessories and supplies. These products can also be found in a wide range of other retail outlets, including marine dealers, marina shops, boat service and repair shops, sporting goods suppliers and mass merchants.

GOVERNMENT REGULATION

We operate in highly regulated industries. A number of federal, state and local laws and regulations affect our business. In every state in which we operate, we must obtain various licenses or permits in order to operate our business.

Because we sell firearms at all of our retail stores, we are subject to regulation by the Bureau of Alcohol, Tobacco, Firearms and Explosives, or BATFE. Each store has a federal firearms license permitting the sale of firearms, and our distribution center has obtained a federal firearms license to store firearms. Our federal firearms licenses permit gunsmith activities at each of our stores. We have also obtained in certain stores a federal license to sell black powder used to shoot muzzle-loading

firearms. Certain states require a state license to sell firearms and we have obtained these licenses for the states in which we operate.

We must comply with federal, state and local regulations, including the National Firearms Act and the federal Gun Control Act, which require us, among other things, to maintain federal firearms licenses for our locations and perform a pre-transfer background check in connection with all firearms purchases. We perform this background check using either the FBI-managed National Instant Criminal Background Check System, or NICS, or a comparable state government-managed system that relies on NICS and any additional information collected by the state, a state point of contact or POC. The federal categories of prohibited purchasers are the prevailing minimum for all states. States (and, in some cases, local governments) on occasion enact laws that further restrict permissible purchasers of firearms. These background check systems confirm either that a transfer can be made, deny the transfer or require that the transfer be delayed for further review, and provide us with a transaction number for the proposed transfer. We are required to record the transaction number on BATFE Form 4473 and retain this form in our records for 20 years for auditing purposes for each approved, denied or delayed transfer.

We are also subject to numerous other federal, state and local laws regarding firearm sale procedures, record keeping, inspection and reporting, including adhering to minimum age restrictions regarding the purchase or possession of firearms or ammunition, residency requirements, applicable waiting periods, importation regulations, and regulations pertaining to the shipment and transportation of firearms. The Protection of Lawful Commerce in Arms Act, which became effective in October 2005, prohibits civil liability actions from being brought or continued against manufacturers, distributors, dealers or importers of firearms or ammunition for damages, injunctions or other relief resulting from the misuse of their products by others. The legislation does not preclude traditional product liability actions. From time to time, federal, state or local governments consider proposed bills relating to the sale of firearms, such as laws that confirm or support an individual's right to possess a firearm or laws that would further restrict or prohibit certain firearm sales.

We are subject to a variety of federal, state and local laws and regulations relating to, among other things, protection of the environment, human health and safety, advertising, pricing, weights and measures, product safety, and other matters. Some of these laws affect or restrict the manner in which we can sell certain items such as hand guns, black powder, ammunition, bows, knives and other products. Our ATV and boat dealership operations may be impacted by various state franchise or dealership protection laws that may prohibit or restrict our ability to feature a particular brand of ATV or boat within any area that is served by another dealer of the same brand, and we may need manufacturer approval to relocate or feature a particular brand in a new store. State and local laws and regulations governing hunting, fishing, boating, ATVs and other outdoor activities can also affect our business. We believe that we are in substantial compliance with the terms of such laws and that we have no liabilities under such laws that we expect could cause a material adverse effect on our business, results of operations or financial condition.

In addition, many of our imported products are subject to existing or potential duties, tariffs or quotas that may limit the quantity of products that we may import into the U.S. and other countries or impact the cost of such products. To date, quotas in the operation of our business have not restricted us, and customs duties have not comprised a material portion of the total cost of our products.

PROPRIETARY RIGHTS

Each of "Gander Mountain," "Gander Mountain Guide Series," "Gander Mtn.," "Overton's," "Gladiator," and "Dockmate" and our logos has been registered as a service mark or trademark with the United States Patent and Trademark Office. In addition, we have other pending applications for

additional trademarks, including "We Live Outdoors." We also own other registered and unregistered trademarks and service marks utilized in our business.

EXECUTIVE OFFICERS

The following table sets forth the name, age and positions of each of our executive officers as of April 1, 2008.

Name	Age	Position
Mark R. Baker	50	President, Chief Executive Officer and Director
Richard J. Vazquez	49	Executive Vice President, Merchandising and Marketing
JoAnn Bailey Boldt	54	Senior Vice President, Human Resources
Mark A. Bussard	44	Senior Vice President, Retail Sales
Kerry D. Graskewicz	43	Senior Vice President, Inventory Management
Eric R. Jacobsen	51	Senior Vice President, General Counsel and Secretary
Robert J. Vold	49	Senior Vice President, Chief Financial Officer and Treasurer

Mark R. Baker, an avid outdoorsman, was appointed president in February 2004 and has served as our chief executive officer since September 2002. Mr. Baker was an independent consultant from August 2001 through September 2002. From May 1996 through July 2001, he served in various positions with Home Depot Inc., including executive vice president, chief operating officer and chief merchandising officer from April 1999 to July 2001. Prior to joining Home Depot, Mr. Baker held senior leadership positions in the retail sector, serving in various management positions for Knox Hardware and Lumber from 1980 through 1988, as vice president of merchandising and marketing of Scotty's Home Improvement Centers from 1988 through 1992 and as executive vice president of merchandising of HomeBase from 1992 through 1996. Mr. Baker is a director of The Scotts Company, a public company that manufactures and markets lawn and garden products.

Richard J. Vazquez joined our company as executive vice president, merchandising in August 2005 and assumed responsibility for marketing in November 2005. Prior to joining our company, Mr. Vazquez served in various positions at Home Depot Inc. from 1994 to 2005, most recently as vice president, merchandising and marketing, Mexico Division. He served as vice president, merchandising and marketing for Home Depot's Expo Design Center from 2002 to 2004; and general merchandising director, Chile and Argentina, from 1996 to 2001.

JoAnn Bailey Boldt joined the company in 1999 as Director, Human Resources and was promoted to Vice President, Human Resources, in April 2005. Ms. Boldt is currently the company's Senior Vice President, Human Resources, having been appointed in June 2007. Prior to joining the company, Ms. Boldt was with Wells Fargo Mortgage and ADP, among others.

Mark A. Bussard was named senior vice president of retail sales in December 2006, with responsibility for driving sales and increasing communication between the stores and the merchant and marketing teams. He began his career at Gander Mountain in 1994 as a store manager in Michigan and progressed through roles as district manager and regional manager. In 2002, he joined the corporate staff, where he led the hunting and fishing merchant teams as divisional vice president. Before joining Gander Mountain, Mr. Bussard served as a store manager and as a regional recruiter of store managers for Quality Stores, Inc.

Kerry D. Graskewicz joined Gander Mountain in October 2005 as Vice President, Merchandise Planning and Replenishment. He was appointed Senior Vice President, Inventory Management in February 2008. From 2003 to 2005 he held various positions at Organized Living, most recently serving as Vice President of Merchandise Planning/Allocation/Space. Between 1992 and 2002 he progressed through several roles at Bath and Body Works, the last of which was Vice President of Merchandise

Planning/Inventory Management. He began his career at May Department stores and has also held positions at Victoria's Secret in merchandise planning and at Venture Stores in inventory management.

Eric R. Jacobsen joined us in May 2005 as senior vice president, general counsel and secretary. From November 1998 to November 2004, he served as general counsel for Northwestern Corporation, serving most recently as senior vice president and general counsel, and from 1995 to 1998 he served as vice president, general counsel and secretary of Lodgenet Entertainment Corporation. Previously, he was a partner in the law firm of Manatt, Phelps & Phillips in Los Angeles, California, specializing in corporate finance, mergers and acquisitions. Mr. Jacobsen holds a JD-MBA degree from the University of Southern California.

Robert J. Vold was named senior vice president, chief financial officer and treasurer in January 2007. He joined Gander Mountain in October 2005 as vice president, finance. Mr. Vold previously spent seventeen years in positions of increasing responsibility in finance at Norstan, Inc., including chief financial officer. He began his career with Arthur Andersen LLP.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Our current business strategy that focuses on large-format retail stores has not been proven successful on a long-term basis and may negatively impact our operating results.

In fiscal 2003, we began implementing our current business strategy that focuses on large-format retail stores. The viability of this business strategy has not been proven on a long-term basis. We have transitioned from opening approximately 30,000-square-foot stores to predominantly opening stores ranging from 50,000 to 120,000 square feet. The results we achieved at our small-format stores may not be indicative of the results that we may achieve at our new large-format stores. The large format increases our operating costs per store, but may not lead to proportionately increased revenues per store. Our mix of higher and lower-margin merchandise in our large-format stores differs from the merchandise mix in our small-format stores, and therefore, may negatively impact our gross margins in our large-format stores. We cannot assure you that we will be successful in operating our large-format stores on a profitable basis. If a large-format store is unprofitable, the impact on our financial results could be greater than the impact of an unprofitable small-format store.

Our concentration of stores in the Great Lakes region of the United States makes us susceptible to adverse conditions in this region, including atypical weather.

The majority of our stores are located in the Great Lakes region of the United States. Our growth may result in other regional concentrations over time, such as in Texas and Florida. As a result, our operations are more susceptible to regional factors than the operations of more geographically diversified competitors. These factors include regional economic and weather conditions, natural disasters, demographic and population changes and governmental regulations in the states in which we operate. Environmental changes and disease epidemics affecting fish or game populations in any concentrated region may also affect our sales. If a concentrated region were to suffer an economic downturn or other adverse event, our operating results could suffer.

Our results of operations may be harmed by atypical weather conditions. Many of our stores are located in areas that traditionally experience seasonably cold weather. Abnormally warm weather conditions could reduce our sales of seasonal items and harm our operating results. Moreover, significant snowfalls or other adverse weather on peak shopping days, particularly during the holiday season, could adversely impact our sales if potential customers choose not to shop during those days.

Our operating results are subject to seasonal fluctuations.

We experience substantial seasonal fluctuations in our sales and operating results. We generated approximately 60% of our net sales in our third and fourth quarters of fiscal 2007, which include the peak hunting and holiday seasons. We incur significant additional expenses in the third and fourth fiscal quarters due to higher purchase volumes and increased staffing in our stores. If, for any reason, we miscalculate the demand for our products or our product mix during the third or fourth fiscal quarters, our sales in these quarters could decline, resulting in higher labor costs as a percentage of sales, significantly lower margins and excess inventory, which could cause our annual operating results to suffer and our stock price to decline significantly. Due to our significant seasonality, the possible adverse impact from other risks associated with our business, including atypical weather, consumer spending levels, and general business conditions, is potentially greater if any such risks occur during our peak sales seasons.

The continued growth and operation of our business is dependent upon the availability of adequate capital.

The continued growth and operation of our business depends on the availability of adequate capital, which in turn depends in large part on cash flow generated by our business and the availability of equity and debt financing. We cannot assure you that our operations will generate positive cash flow or that we will be able to obtain equity or debt financing on acceptable terms or at all. Our credit facility contains provisions that restrict our ability to incur additional indebtedness or make substantial asset sales that might otherwise be used to finance our expansion. Security interests in substantially all of our assets, which may further limit our access to certain capital markets or lending sources, secure our obligations under the credit facility. The actual availability of funds under our credit facility is limited to specified percentages of our eligible inventory and accounts receivable. The value of our eligible inventory is subject to periodic adjustment based on independent valuations performed on behalf of the banks. Any downward adjustment in the value of our inventory resulting from an independent valuation, whether based on an assessment of the nature and quality of our inventory or a perceived increase in the difficulty of selling collateral under current economic conditions, would adversely affect our availability. Moreover, opportunities for increasing our cash on hand through sales of inventory would be partially offset by reduced availability under our credit facility. As a result, we cannot assure you that we will be able to finance our future expansion plans.

Our expansion into new, unfamiliar markets presents increased risks that may prevent us from being profitable in these new markets.

Pursuant to our growth strategy, we are opening stores in new markets. In these new markets, we may have less familiarity with local customer preferences, difficulties in attracting customers due to a reduced level of customer familiarity with our brand, difficulties in hiring a sufficient number of qualified store associates and other challenges. In addition, entry into new markets may bring us into competition with new, unfamiliar competitors. We cannot assure you that we will be successful in operating our stores in new markets on a profitable basis.

Our expansion strategy includes further penetration of our existing markets, which could cause sales at our existing stores to decline.

Pursuant to our expansion strategy, we are opening additional stores in our existing markets. Because our new, larger stores typically draw customers from a greater area, a new store may draw customers away from any existing stores in the general service area and may cause sales performance and customer counts at those existing stores to decline, which may adversely affect our overall operating results.

We are expanding into new product areas, such as boats, with which we have limited experience and which may not be profitable for us.

In fiscal 2007, we began to distribute Tracker boats through many of our large-format stores. We have limited experience in selling boats and entering the boat business on a large scale represents a significant investment of resources by us. We may not realize a return on this investment and our boat business may not generate profits while diverting the attention of management and store-level personnel away from businesses with which we have greater familiarity. In addition, Tracker is affiliated with one of our primary competitors, Bass Pro Shops, which may adversely affect our relationship with Tracker.

We are continually looking for new products to introduce at our stores and believe that entering new product areas is an important part of our growth strategy. We cannot assure you that we will be able to identify new product areas or successfully introduce them at our stores. In addition, the identification, introduction and operation of these new businesses may distract our attention from existing product areas and adversely affect our overall operating results.

An inability to find suitable new store sites or delays in new store openings could materially affect our financial performance.

In order to meet our growth objectives, we will need to secure an adequate number of suitable new store sites. We require that all proposed store sites satisfy our criteria regarding cost and location. In addition, we are experiencing increased competition for store sites as our competitors seek to expand. Local land use and other regulations applicable to the types of stores we desire to construct may impact our ability to find suitable locations, and also influence the cost of constructing new stores. We cannot assure you 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 stores opening on expected dates. It is possible that events such as problems with our credit, delays in the entitlements process or construction delays caused by permitting or licensing issues, material shortages, labor issues, weather delays or other acts of god, discovery of contaminants, accidents, deaths or injunctions could delay planned new store openings beyond their expected dates or force us to abandon planned openings altogether. Any failure on our part to recognize or respond to these issues may adversely affect our sales growth, which in turn may adversely affect our future operating results.

If we lose key management or are unable to attract and retain the talent required for our business, our operating results and financial condition could suffer.

Our performance depends largely on the leadership efforts and abilities of our senior management and other key employees. None of our employees, except certain senior executive officers, have an employment agreement with us. If we lose the services of one or more of our key employees, we may not be able to successfully manage our business or achieve our growth objectives. As our business grows, we will need to attract and retain additional qualified personnel in a timely manner.

We rely on a single distribution center for our retail business and a single fulfillment center for our Internet and catalog business, and if there is a natural disaster or other serious disruption at either facility, we may be unable to deliver merchandise effectively to our stores or customers.

We rely on a single distribution center in Lebanon, Indiana for our retail business, and a single fulfillment center in Greenville, North Carolina for our Internet and catalog business. Any natural disaster or other serious disruption at either facility due to fire, tornado, flood or any other cause could damage our on-site inventory or impair our ability to use such distribution center or fulfillment center. While we maintain business interruption insurance, as well as general property insurance, the amount

of insurance coverage may not be sufficient to cover our losses in such an event. Any of these occurrences could impair our ability to adequately stock our stores or fulfill customer orders and harm our operating results.

Our planned growth may strain our business infrastructure, which could adversely affect our operations and financial condition.

Over time, we expect to significantly expand the size of our retail store network. As we grow, we will face the risk that our existing resources and systems, including management resources, accounting and finance personnel and operating systems, may be inadequate to support our growth. We cannot assure you that we will be able to retain the personnel or make the changes in our systems that may be required to support our growth. Failure to secure these resources and implement these systems could have a material adverse effect on our operating results. In addition, the retention of additional personnel and the implementation of changes and enhancements to our systems will require capital expenditures and other increased costs that could also have a material adverse impact on our operating results.

Our expansion in new and existing markets and our acquisition of Overton's may also create new distribution and merchandising challenges, including strain on our distribution facilities, an increase in information to be processed by our management information systems and diversion of management attention from operations towards the opening of new stores and markets. We intend to upgrade and replace certain of our current management information systems in order to support our growth strategy. Based on our current growth strategy, we will need to increase our distribution capabilities within the next few years, which could disrupt our business operations. To the extent that we are not able to meet these additional challenges, our sales could decrease and our operating expenses could increase.

We are implementing substantial information systems changes in support of our business that might disrupt our operations.

Our success depends on our ability to efficiently source, distribute and sell merchandise through our stores utilizing appropriate management information systems. We are in the process of implementing modifications to our technology that will involve updating or replacing our information systems with successor systems over the course of several years. There are inherent risks associated with replacing or modifying these systems, including supply chain disruptions that could affect our ability to deliver products to our stores in an efficient manner. In addition, in updating and replacing our systems, we may be unable to accurately capture and transfer data. We may be unable to successfully launch these new systems, the launch of these new systems could result in business disruptions or the actual cost may exceed the estimated cost of these new systems, any of which could have an adverse effect on our financial condition and results of operations. Additionally, there is no assurance that successfully implemented new systems will deliver the expected value to us.

Our ability to operate profitably is uncertain.

Through much of our history, we have experienced net losses and negative cash flow from operations. As of February 2, 2008, we had an accumulated deficit of \$83.5 million. We have increased our expenses significantly to expand our store base. We may not generate sufficient revenue to offset these expenditures and may incur losses that we would not incur if we developed our business more slowly. If our revenue grows more slowly than we anticipate, or if our cost of goods sold or operating expenses exceed our expectations, our operating results would be harmed.

Our business depends on our ability to meet our labor needs.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including store managers, assistant managers, customer service representatives and store associates, who understand and appreciate our "We Live Outdoors" culture and are able to adequately represent this culture to our customers. Qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas, and the turnover rate in the retail industry is high. If we are unable to hire and retain sales 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 employees is currently covered by collective bargaining agreements, we cannot guarantee that our employees will not elect to be represented by labor unions in the future, which could increase our labor costs. Additionally, competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees. 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 employee 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.

If we fail to anticipate changes in consumer demands, including regional preferences, in a timely manner, our operating results could suffer.

Our products appeal to consumers who regularly hunt, fish, camp and boat. The preferences of these consumers cannot be predicted with certainty and are subject to change. In addition, due to different types of fish and game stocks and different weather conditions found in different markets, it is critical that our stores stock appropriate products for their markets. Our success depends on our ability to identify product trends in a variety of markets as well as to anticipate, gauge and react to changing consumer demands in these markets in a timely manner. If we misjudge the market for our products, our sales may decline significantly and we may face significant excess inventory of some products and missed opportunities for other products, which could harm our operating results.

Failure to protect the integrity and security of our customers' information could expose us to litigation and materially damage our standing with our customers.

The increasing costs associated with information security such as increased investment in technology, the costs of compliance with consumer protection laws and costs resulting from consumer fraud could cause our business and results of operations to suffer materially. There can be no assurance that our efforts to protect customer and confidential information will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments may not prevent the compromise of our customer transaction processing capabilities and personal data even if we implement them. If any compromise of our information security were to occur, it could have a material adverse effect on our reputation, business, operating results and financial condition and may increase the costs we incur to protect against such information security breaches or subject us to fines, penalties or litigation.

Our ability to use certain of our trademarks in direct marketing activities is uncertain.

We and one of our competitors, Cabela's Incorporated, have a dispute regarding the enforceability and scope of a non-competition agreement entered into in 1996. Although the non-competition provisions of the agreement expired in June 2003, our competitor contends that a contingent trademark licensing provision may require us to grant it a license that would restrict our ability to use certain of our trademarks that were in existence in 1996 in a "direct marketing business" (as defined in the agreement). In July 2004, we filed a complaint in the U.S. District Court for the District of Minnesota seeking clarification as to the interpretation and enforceability of the non-competition agreement. In

July 2007, the U.S. District Court issued an order granting our motion for summary judgment, ruling that the contingent trademark licensing provision was unenforceable. The order provides, in part, that we are free to use our trademarks in all respects including direct marketing to consumers. Cabela's has appealed the ruling to the U.S. Court of Appeals, 8th Circuit. We are not able to predict the ultimate outcome of this litigation, but it could be costly and disruptive. The total costs may not be reasonably estimated at this time. If the July 2007 order is reversed, subsequent proceedings might impact the manner in which we market our products in certain distribution channels in the future.

We may be named in litigation, which may result in substantial costs and divert management's attention and resources.

We face legal risks in our business, including claims from disputes with our employees and our former employees and claims associated with general commercial disputes, product liability and other matters. Risks associated with legal liability often are difficult to assess or quantify and their existence and magnitude can remain unknown for significant periods of time. While we maintain director and officer insurance, as well as general and product liability insurance, the amount of insurance coverage may not be sufficient to cover a claim and the continued availability of this insurance cannot be assured. We may in the future be the target of litigation and this litigation may result in substantial costs and divert management's attention and resources.

Our comparable store sales will fluctuate and may not be a meaningful indicator of future performance.

Our comparable store sales have fluctuated significantly. Changes in our comparable store sales results could adversely affect the price of our common stock. Among the factors that have historically affected, and will continue to affect, our comparable store sales are: competition, our new store openings, general and regional economic conditions, consumer trends and preferences, timing and effectiveness of promotional events, loss of key vendors, disruption to our supply chain, seasonality, natural disasters and adverse weather. There is no assurance that we will be able to maintain or increase our comparable store sales over time.

Our computer hardware and software systems are vulnerable to damage that could harm our business.

Our success, in particular our ability to successfully manage inventory levels, largely depends upon the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at the store level, communicate customer information and aggregate daily sales, margin and promotional information. These systems are vulnerable to damage or interruption from:

fire, flood, tornado and other natural disasters;

power loss, computer system failures, internet and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic loss of data or security breaches, misappropriation and similar events;

computer viruses; and

upgrades, installations of major software releases and integration with new systems.

Any failure that causes an interruption in our systems processing could disrupt our operations and result in reduced sales. We have centralized the majority of our computer systems in our corporate office. It is possible that an event or disaster at our corporate office could materially and adversely affect the performance of our company and the ability of each of our stores to operate efficiently.

If any of our key vendors or manufacturers fails to supply us with merchandise or changes key business terms, we may not be able to meet the demands of our customers and our sales could decline.

We depend on merchandise purchased from our vendors and sourced from third-party manufacturers to obtain products for our stores. 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 foreign countries and we source products from third-party manufacturers in foreign countries. A vendor could discontinue selling to us products manufactured in foreign countries at any time for reasons that may or may not be in our control or the vendor's control, including foreign government regulations, political or financial unrest, war, trade restrictions, tariffs, currency exchange rates, the outbreak of pandemics, disruption or delays in shipments, port security, changes in local economic conditions and other issues. In addition, to the extent that any foreign supplier utilizes labor or other practices that vary from those commonly accepted in the U.S., we could be adversely affected by any resulting negative publicity or otherwise. Changes in commercial practices of our key vendors or manufacturers, such as changes in vendor support and incentives or changes in credit or payment terms, could negatively impact our results. Our operating results could also suffer if we are unable to promptly replace a vendor or manufacturer who is unwilling or unable to satisfy our requirements with a vendor or manufacturer providing equally appealing products.

We recently acquired Overton's and may pursue additional strategic acquisitions, which could have an adverse impact on our business.

We recently acquired Overton's and we may from time to time acquire complementary businesses in the future. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of our capital and our management's attention from other business issues and opportunities. We may not be able to successfully integrate companies that we acquire, including their personnel, financial systems, distribution, operations and general store-operating procedures. If we fail to successfully integrate acquired companies, our business could suffer. In addition, the integration of any acquired business, and its financial results, into ours may adversely affect our operating results.

Risks associated with Internet sales could adversely affect our business.

Internet sales through the websites that were acquired as part of the Overton's business and any website store that we may launch in the future are subject to numerous risks that could result in lower revenue, increase our costs or otherwise adversely affect our business, including:

operating problems, system failures and reliance on third party computer hardware/software providers;

rapid technological change, including a failure to offer new website functionality that customers favor or increases in software filters that may inhibit our ability to market our products through email messages;

extensive federal and state regulations, including liability for online content and violations of privacy laws;

credit card fraud;

risks related to the failure of the computer systems that operate our websites and their related support systems, including computer viruses, breaches of Internet security or similar disruptions;

failure of telecommunications, power services or other necessary infrastructure resulting in website downtime, call center closure or other problems; and

failure to timely and accurately fulfill customer orders.

There is no assurance that our internet operations will achieve sales and profitability growth.

Risks associated with catalog sales could adversely affect our business.

There are risks associated with our catalog sales channel that could result in lower revenue, increase our costs or otherwise adversely affect our business, including:

customer acceptance of our catalog presentations and lower than expected response rates;

increases in paper and printing costs, postage rates and other costs relating to our catalog mailings;

a failure in the timing of design, production or deliveries of catalogs;

failure to timely and accurately fulfill customer orders;

the implementation of government-mandated return policies that would require us to pay for all returns;

our inability to adequately replenish our customer database; and

the accuracy, breadth and depth of the information contained in our customer database so we can correctly analyze our mailing lists and maximize our customer targeting efforts.

In addition, catalog sales may decline as a result of customers switching from catalog purchases to internet purchases.

Risks Related to Our Industry

A downturn in the economy may affect consumer purchases of discretionary items, which could harm our operating results.

In general, our sales result from discretionary spending by our customers. Discretionary spending is affected by many factors, including, among others:

weather,

general business conditions,

interest rates,

inflation,

the availability of consumer credit and consumer debt levels,

taxation,

energy and fuel prices,

unemployment trends,

natural disasters,

terrorist attacks and acts of war, and

other matters that influence consumer confidence and spending.

Changes in energy costs impact our business, both by influencing the cost of operating our stores and transporting goods, and by affecting consumer spending patterns. Our customers' purchases of discretionary items, including our products, could decline during periods when disposable income is

lower or periods of actual or perceived unfavorable economic conditions. If this occurs, our operating results could suffer.

Competition in the outdoor products industry could limit our growth and harm our operating results.

The retail market for outdoor products is highly fragmented and competitive, with competition increasing in recent periods. Our current and prospective competitors include many large companies that have substantially greater market presence, name recognition, and financial, marketing and other resources than we do. In addition, most of our largest competitors have undertaken accelerated growth strategies. We compete directly or indirectly with the following categories of companies:

large format entertainment-focused outdoor retailers, such as Bass Pro Shops and Cabela's;

other outdoor-focused chains, such as Sportsman's Warehouse;

catalog and Internet-based retailers, such as Bass Pro Shops, Cabela's, and The Sportsman's Guide;

traditional sporting goods chains, such as Dick's Sporting Goods, The Sports Authority and Academy;

discount chains and mass merchants, such as Wal-Mart and Kmart;

ATV and boat dealers, local specialty stores and repair shops; and

marinas and marine supply stores, such as West Marine and Boater's World.

Pressure from our competitors could require us to reduce our prices or increase our spending for advertising and promotion, which could erode our margins. Increased competition in markets in which we have stores or the adoption by competitors of innovative store formats, aggressive pricing strategies and retail sale methods, such as the Internet, could cause us to lose market share and could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to product liability claims relating to our sale of outdoor equipment and firearms, and our insurance may not be sufficient to cover damages related to those claims.

We may incur damages due to lawsuits relating to equipment that we sell. We may also be subject to lawsuits relating to the design, manufacture or sale of our owned-brand products. In addition, we sell and service rifles, shotguns and handguns, along with archery equipment, which are products that are associated with an increased risk of injury and death. We may incur damages due to lawsuits relating to the improper use of firearms sold by us, including lawsuits by municipalities or other organizations attempting to recover costs from firearm manufacturers and retailers relating to the misuse of firearms. We may be subject to lawsuits relating to our performance of background checks on firearm purchasers as mandated by state and federal law. We also sell and service boats and all-terrain vehicles (ATVs), which are motorized vehicles designed for off-road use. Lawsuits relating to the products we sell could result in substantial liability, which would adversely affect our business and financial condition. There is a risk that claims or liabilities relating to products we sell will exceed our insurance coverage and we may be unable to retain adequate liability insurance in the future. In addition, the commencement of lawsuits against us relating to our sale of outdoor equipment or firearms could cause us to reduce our sales of those products.

Increased regulation of the sale of firearms could cause us to reduce our firearm sales, which could harm our operating results.

Increased federal, state or local regulation, including taxation, of the sale of firearms in our current markets or in future markets in which we may operate could cause us to reduce our firearm

sales or adversely affect our margins on these sales. Sales of firearms represent a significant percentage of our net sales and are critical in drawing customers to our stores. A substantial reduction in our sales or margins on sales of firearms due to the establishment of new regulations could harm our operating results.

Some of the products and services we sell are highly regulated, which could lead to high compliance costs.

We are subject to regulation by the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Consumer Product Safety Commission, the Occupational Safety and Health Administration and similar state regulatory agencies. Compliance with these regulatory requirements is costly and these costs could increase in the future. If we fail to comply with government and industry safety standards, we may be subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on our business, results of operations and financial condition. In addition, regulations issued by the Bureau of Alcohol, Tobacco, Firearms and Explosives may delay our ability to change certain of our officers and prohibit some individuals from serving in certain of our offices.

Risks Related to Our Common Stock

Pratt family members, Erickson family members and their affiliates collectively own a controlling interest in our company and these individuals and entities may have interests that differ from those of our other shareholders.

Members of the Pratt family, the Erickson family and their affiliates collectively own a controlling interest in us through a combination of their individual stock ownership and their beneficial interest in certain entities that hold our shares. While neither the Pratt family nor the Erickson family, together with their respective affiliates, owns a controlling interest in our company, each of them owns in excess of 30% of our outstanding voting stock. As a result, these shareholders are able to individually influence and collectively control matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other extraordinary transactions. They may have interests that differ from or otherwise conflict with those of other shareholders and may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our shareholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

No members of the Pratt family, the Erickson family or their affiliates are subject to any contractual obligations to retain their interests. Certain individual members of the Erickson family and certain of the entities described above have rights to cause us to register their shares. A sale by these shareholders of a large interest in us, or the perception that such a sale could occur, could cause the market price of our common stock to decline significantly.

Conflicts of interest may arise as a result of the significant interest in our company held by the Pratt family, the Erickson family and their affiliates.

Conflicts of interest may arise as a result of the significant ownership interests in us by the Pratt family, the Erickson family and their affiliates. David C. Pratt is the chairman of our board of directors and two members of our board of directors are members of the Erickson family, including Ronald Erickson, our vice chairman, and Gerald Erickson. We may face unavoidable conflicts of interest when our board of directors faces decisions that affect both us and either Pratt family or Erickson family interests.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our articles of incorporation permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our shareholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that may be issued in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Certain provisions of Minnesota law may make a takeover of our company more difficult, depriving shareholders of opportunities to sell shares at above-market prices.

Certain provisions of Minnesota law may have the effect of discouraging attempts to acquire us without the approval of our board of directors. Section 302A.671 of the Minnesota statutes, with certain exceptions, requires approval of any acquisition of the beneficial ownership of 20% or more of our voting stock then outstanding by a majority vote of our shareholders prior to its consummation. In general, shares acquired in the absence of such approval are denied voting rights and are redeemable by us at their then-fair market value within 30 days after the acquiring person failed to give a timely information statement to us or the date the shareholders voted not to grant voting rights to the acquiring person's shares. Section 302A.673 of the Minnesota statutes generally prohibits any business combination by us, or any of our subsidiaries, with an interested shareholder, which includes any shareholder that purchases 10% or more of our voting shares within four years following such interested shareholder's share acquisition date, unless the business combination is approved by a committee of all of the disinterested members of our board of directors before the interested shareholder's share acquisition date. Consequently, our common shareholders may lose opportunities to sell their stock for a price in excess of the prevailing market price due to these protective measures.

The price of our common stock is volatile.

The trading price of our common stock fluctuates substantially. These fluctuations could cause you to lose part or all of your investment in our shares of common stock. The factors that could cause fluctuations include, but are not limited to, the following:

price and volume fluctuations in the overall stock market from time to time;

significant volatility in the market price and trading volume of outdoor and sporting goods companies and other retail companies;

relatively few shares available for public trading;

actual or anticipated changes in our sales and earnings, fluctuations in our operating results or the failure to meet the expectations of financial market analysts and investors;

investor perceptions of the outdoor products, sporting goods and marine industries, the retail industry in general and our company in particular;

the operating and stock performance of comparable companies;

general economic conditions and trends;

major catastrophic events;

changes in accounting standards, policies, guidance, interpretation or principles;

adverse weather conditions in our markets;

regulatory changes;

loss of external funding sources;

sales of large blocks of our stock or sales by insiders; or

departures of key personnel.

We do not anticipate paying cash dividends on our shares of common stock in the foreseeable future.

We have never declared or paid any cash dividends on our shares of common stock. We currently intend to retain all future earnings for the operation and expansion of our business and do not anticipate paying cash dividends on our shares of common stock in the foreseeable future. Any payment of cash dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, contractual restrictions, outstanding indebtedness and other factors deemed relevant by our board of directors. In addition, our credit facility restricts our ability to pay cash dividends or other non-stock distributions on any shares of our capital stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Saint Paul, Minnesota where we lease approximately 63,000 square feet. The initial term of this lease expires March 31, 2020, and is subject to two renewal options of five years each. Renewal rent is to be established at the then-current market rate. This lease also provides us with expansion options.

We currently lease 427,000 square feet in two buildings for our distribution center in Lebanon, Indiana. The first building is approximately 225,000 square feet with an initial lease term that expires in 2011 and is subject to multiple five-year renewal options and rent escalation provisions. The second building is approximately 202,000 square feet with an initial lease term that expires in 2010 and is subject to multiple one-year renewal options and rent escalation provisions.

We lease all of our 113 stores, which are in various locations in Alabama, Arkansas, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Tennessee, Texas, Virginia, West Virginia and Wisconsin. Our Bemidji, Minn., store is leased from Holiday Stationstores, Inc., a company controlled by the Erickson family. Our stores are generally leased for 10 to 15 years, and most leases contain multiple five-year renewal options and rent escalation provisions.

Overton's leases 383,000 square feet in a building in Greenville, North Carolina that functions as the fulfillment and distribution center for its direct-to-consumer marketing business. Overton's also leases 46,000 square feet of office space.

ITEM 3. LEGAL PROCEEDINGS

Trademark Litigation On July 2, 2004, we filed a complaint in the U.S. District Court for the District of Minnesota seeking declaratory relief that the contingent trademark licensing provision of a noncompetition agreement dated May 16, 1996, made between our predecessor and Cabela's Incorporated, is invalid and unenforceable. Although the noncompetition provisions of the noncompetition agreement expired in June 2003, Cabela's contends that a contingent trademark licensing provision of the noncompetition agreement requires us to grant Cabela's a license that would preclude our use of certain of our trademarks for direct marketing purposes.

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On July 10, 2007, the U.S. District Court issued an order granting our motion for summary judgment, ruling that the contingent trademark licensing provision was unenforceable. The order provides, in part, that we are free to use our trademarks in all respects including direct marketing to consumers. Cabela's has appealed the ruling to the U.S. Court of Appeals, 8th Circuit.

We are not able to predict the ultimate outcome of this litigation, but it could be costly and disruptive. The total costs may not be reasonably estimated at this time. If the July 10, 2007 order is reversed, subsequent proceedings might impact the manner in which we market our products in certain distribution channels in the future. Such an adverse result is not expected to have an affect on our marketing of products through our retail stores. Nor would an unfavorable result preclude us from engaging in direct marketing activities using trademarks not in dispute. A favorable result would confirm our right to use the subject trademarks in all direct marketing activities.

Other Legal Claims Various claims and lawsuits arising in the normal course of business may be pending against us from time to time. The subject matter of these proceedings typically relate to commercial disputes, employment issues, product liability and other matters. As of the date of this report, we are not a party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our financial condition or results of operations.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2007.

PART II

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

Shares of our common stock are traded on the Nasdaq Global Market under the symbol "GMTN." Our common stock began trading on April 21, 2004. The following table shows the high and low sales prices of our common stock on the Nasdaq Global Market for the periods indicated:

	<u>High</u>	<u>Low</u>
Fiscal 2007:		
First Quarter	\$ 13.78	\$ 9.36
Second Quarter	\$ 16.00	\$ 9.49
Third Quarter	\$ 11.19	\$ 4.95
Fourth Quarter	\$ 5.83	\$ 4.00
Fiscal 2006:		
First Quarter	\$ 9.90	\$ 6.05
Second Quarter	\$ 9.97	\$ 5.01
Third Quarter	\$ 7.75	\$ 4.95
Fourth Quarter	\$ 10.49	\$ 7.31

On April 25, 2008, the last reported sale price for shares of our common stock on the Nasdaq Global Market was \$5.33 per share.

 Holders

There were 89 holders of record of our common stock as of April 25, 2008.

 Issuer Purchases of Equity Securities

We did not make any purchases of our equity securities during the fourth quarter of fiscal year 2007.

 Dividends

We have never declared or paid any cash dividends on our shares of common stock. We currently intend to retain all future earnings for the operation and expansion of our business and do not anticipate paying cash dividends on our shares of common stock in the foreseeable future. Any payment of cash dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, contractual restrictions, outstanding indebtedness and other factors deemed relevant by our board of directors. In addition, our credit facility restricts our ability to pay cash dividends or other non-stock distributions on any shares of our capital stock.

 Sales of Unregistered Securities

On December 6, 2007, we entered into stock purchase agreements with Gratco, LLC, an entity controlled by David C. Pratt, our Chairman, and with Holiday Stationstores, Inc., an entity controlled by Ronald Erickson, our Vice Chairman, and Gerald Erickson, a member of our board of directors. Pursuant to the agreements we sold an aggregate of 4,067,797 shares of common stock at \$5.90 per share for an aggregate purchase price of \$24.0 million. Gratco purchased 3,065,000 shares and Holiday Stationstores purchased 1,002,797 shares. The net proceeds were used to partially fund the purchase price of Overton's.

The shares were not registered under the Securities Act of 1933 upon issuance. We offered and sold the shares to the purchasers in reliance on the exemption from registration provided by Rule 506 promulgated under Regulation D. We relied on this exemption from registration based in part on representations made by the purchasers in the stock purchase agreements.

Company Stock Performance

The following graph compares the quarterly change in the cumulative total shareholder return on our common stock from April 21, 2004, which is the day our common stock began to trade publicly, through February 2, 2008 with the cumulative total return on the Nasdaq Composite Index and S&P Retailing Index. The comparison assumes \$100 was invested on April 21, 2004 in our common stock and in each of the foregoing indices and assumes that dividends were reinvested when and as paid. We have not declared dividends on our common stock. You should not consider shareholder return over the indicated period to be indicative of future shareholder returns.

COMPARISON OF 47 MONTH CUMULATIVE TOTAL RETURN*
 Among Gander Mountain Company, The NASDAQ Composite Index
 And The S&P Retailing Group

*

\$100 invested on 4/21/04 in stock or on 3/31/04 in index-including reinvestment of dividends. Indexes calculated on month-end basis.

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www.researchdatagroup.com/S&P.htm

	April 21, 2004	April 30, 2004	July 31, 2004	October 30, 2004	January 29, 2005	April 30, 2005	July 30, 2005	October 29, 2005	January 28, 2006	April 29, 2006	July 29, 2006	October 28, 2006	February 3, 2007	May 5, 2007
Gander Mountain Company	100.00	100.59	97.41	88.35	39.37	47.23	52.09	22.71	28.11	40.83	25.70	33.97	46.00	57.63
NASDAQ Composite	100.00	100.00	98.15	102.29	107.11	100.21	113.55	110.63	121.23	122.34	111.04	126.08	129.17	135.01
S&P Retailing Group	100.00	96.50	95.10	103.26	107.66	100.25	122.54	110.75	117.14	120.04	107.52	128.10	133.84	133.84

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is qualified by reference to and should be read in conjunction with our consolidated financial statements and notes thereto included in Item 8 and our "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7.

The selected financial data presented below under the heading "Statement of Operations Data" for the years ended February 2, 2008, February 3, 2007 and January 28, 2006, and the selected financial data presented below under the heading "Balance Sheet Data" as of February 2, 2008 and February 3, 2007 have been derived from our audited consolidated financial statements included under Item 8.

The selected financial data presented below under the heading "Statement of Operations Data" for the years ended January 29, 2005 and January 31, 2004 and the selected financial data presented below under the heading "Balance Sheet Data" as of January 28, 2006, January 29, 2005 and January 31, 2004 have been derived from our audited consolidated financial statements that are not required to be included in this report.

The fiscal year ended February 3, 2007 included 53 weeks. All other fiscal years presented include 52 weeks. The unaudited selected financial data presented below under the heading "Operating Data," for all periods have been derived from our internal records of our operations, except for "Gross profit as a percentage of sales," which is derived from our audited consolidated financial statements. Our fiscal year ended February 2, 2008 is referred to as fiscal 2007, our fiscal year ended February 3, 2007 is referred to as fiscal 2006, our fiscal year ended January 28, 2006 is referred to as fiscal 2005, our fiscal year ended January 29, 2005 is referred to as fiscal 2004, and our fiscal year ended January 31, 2004 is referred to as fiscal 2003. Our fiscal year ending January 31, 2009 is referred to as fiscal 2008.

Beginning with this filing of our Form 10-k for fiscal 2007, the Company changed the presentation of its consolidated statement of operations as a result of the acquisition of Overton's, a direct marketing company, by the historical retail-only Gander Mountain Company. Previously, we presented two operating expense captions: "Store Operating expenses" and "General and Administrative

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expenses". These two captions are now combined into the caption "Selling, General and Administrative expenses". This reclassification has been made for all years presented.

	Fiscal Year Ended(1)				
	February 2, 2008	February 3, 2007	January 28, 2006	January 29, 2005	January 31, 2004
(dollars in thousands, except per share data)					
Statement of Operations Data					
Sales	\$ 969,403	\$ 911,438	\$ 804,474	\$ 644,014	\$ 489,530
Cost of goods sold(2)	728,649	686,722	612,029	479,662	370,532
Gross profit	240,754	224,716	192,445	164,352	118,998
Operating expenses:					
Selling, general and administrative expenses	240,744	207,431	187,956	149,343	107,844
Exit costs, impairment and other charges	6,493	458	2,635	108	
Pre-opening expenses	4,836	3,245	6,555	8,194	4,921
Gain on insurance settlement		(1,400)			
Gain on contract settlement			(2,500)		
Income (loss) from operations	(11,319)	14,982	(2,201)	6,707	6,233
Interest expense	19,745	19,187	11,106	5,137	4,760
Debt conversion charge		9,037			
Income (loss) before income taxes	(31,064)	(13,242)	(13,307)	1,570	1,473
Income tax provision	750				
Net income (loss)	\$ (31,814)	\$ (13,242)	\$ (13,307)	\$ 1,570	\$ 1,473
Loss applicable to common shareholders	\$ (31,814)	\$ (13,242)	\$ (13,307)	\$ (2,735)	\$ (15,050)
Basic and diluted loss applicable to common shareholders per share	\$ (1.52)	\$ (0.88)	\$ (0.93)	\$ (0.25)	\$ (15.47)

Historical results are not necessarily indicative of the results of operations to be expected for future periods. See Note 2 and Note 18 to our consolidated financial statements included in this report for a description of the method used to compute basic and diluted net earnings (loss) per share.

	Fiscal Year Ended(1)				
	February 2, 2008	February 3, 2007	January 28, 2006	January 29, 2005	January 31, 2004
(dollars in thousands)					
Balance Sheet Data					
Cash and cash equivalents	\$ 2,622	\$ 1,342	\$ 1,580	\$ 1,033	\$ 970
Inventories, net	403,683	349,120	308,395	264,138	180,361
Goodwill and other intangible assets	73,901	2,837	2,837	2,837	2,837
Total assets	679,932	521,617	458,930	385,843	249,701
Borrowings under revolving credit facility	246,013	168,485	174,936	114,441	102,058
Long term debt	64,173	16,421	30,953	11,757	
Notes payable to affiliate					9,840

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Fiscal Year Ended(1)

Total shareholders' equity	\$	193,820	\$	196,791	\$	149,825	\$	162,308	\$	64,498
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Fiscal Year Ended(1)

	February 2, 2008	February 3, 2007	January 28, 2006	January 29, 2005	January 31, 2004
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(dollars in thousands, except per square foot data)

Operating Data

Comparable store sales increase / (decrease)(1)(3)	(5.4)%	(1.1)%	(6.0)%	(2.5)%	11.5%
Number of stores at end of period	113	105	98	82	65
Total square feet at end of period	6,182,916	5,483,029	4,999,813	3,773,835	2,533,223
Sales per square foot(4)	\$ 165	\$ 175	\$ 180	\$ 205	\$ 227
Gross profit as a percentage of sales(5)	24.8%	24.7%	23.9%	25.5%	24.3%
Operating margin(6)	(1.2)%	1.6%	(0.3)%	1.0%	1.3%
Adjusted EBITDA(7)	\$ 21,777	\$ 37,415	\$ 18,667	\$ 18,471	\$ 14,459

(1) Our fiscal year ends on the Saturday closest to the end of January, electing a 52-53 week fiscal year. All years presented herein include 52 weeks, except the fiscal year ended February 3, 2007, which includes 53 weeks.

For the year ended February 2, 2008, the comparable store sales decrease of -5.4% is based on a 52-week to 52-week comparison, and is not derived from a comparison to the 53 week year ended February 3, 2007.

For the year ended February 3, 2007, the comparable stores sales decrease of -1.1% is based on a 53-week to 53-week comparison, and is not derived from a comparison to the 52-week year ended January 28, 2006.

(2) Beginning in fiscal 2004, we agreed with our vendors to eliminate proof-of-performance requirements on substantially all of our contracts. Accordingly, vendor monies that support our advertising programs are now recorded as a reduction in the cost of inventory, and are recognized as a reduction of cost of goods sold when the inventory is sold. Prior to fiscal 2004, vendor monies were accounted for as a reduction of advertising costs at the time the advertising programs occurred.

(3) For fiscal 2003, a store was included in the comparable store base in its fourteenth full month of operations. A relocated store was returned to the comparable store base in its fourteenth full month of operations following relocation. Beginning in fiscal 2004, we include a store, including a relocated store, in the comparable store base in its fifteenth full month of operations. This change did not have a material impact on comparable store sales.

(4) Calculated based on the weighted average of the gross square footage in the period, which includes office, storage and receiving areas. Excludes catalog and Internet sales of Overton's.

(5) Gross profit includes store occupancy costs and distribution costs for all years presented. For fiscal year 2007 it also includes the cost of goods sold for the acquired Overton's direct-to-consumer business for approximately two months.

(6) Calculated based on operating income (loss) and sales for the period.

(7) Adjusted EBITDA consists of net income (loss) plus interest expense, plus income tax provision or minus income tax benefit, plus depreciation and amortization, plus exit costs, impairment and other charges, and plus debt conversion expense. This term, as we define it, may not be comparable to a similarly titled measure used by other companies and is not a measure of performance presented in accordance with U.S. generally accepted accounting principles. We use Adjusted EBITDA as a measure of operating performance because it assists us in comparing

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performance on a consistent basis, as it removes from our operating results the impact of our capital structure, which includes interest expense and depreciation and amortization.

We do not use it as a measure of liquidity. The funds depicted by Adjusted EBITDA are not necessarily available for discretionary use and exclude the impact of interest expense, income taxes and other items. Adjusted EBITDA should not be considered as a substitute for net income or net loss, net cash provided by or used in operations, or other financial data prepared in accordance with U.S. generally accepted accounting principles, or as a measure of liquidity.

We believe Adjusted EBITDA is useful to an investor in evaluating our operating performance because:

it is a widely accepted financial indicator of a company's ability to service its debt

it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of our capital structure and the method by which assets were acquired; and

it helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing from our operating results the impact of our capital structure, primarily interest expense from our outstanding debt, and asset base, primarily depreciation and amortization of our property and equipment.

Our management uses Adjusted EBITDA:

as a measurement of operating performance because it assists us in comparing our performance on a consistent basis, as it removes from our operating results the impact of our capital structure, which includes interest expense from our outstanding debt, and our asset base, which includes depreciation and amortization of our property and equipment;

under our secured credit facility which sets the applicable margin on LIBOR based loans with reference to our EBITDA; and

in presentations to the members of our board of directors to enable our board to have the same consistent measurement basis of operating performance used by management.

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA:

	Fiscal Year Ended(1)				
	February 2, 2008	February 3, 2007	January 28, 2006	January 29, 2005	January 31, 2004
	(dollars in thousands)				
Net income (loss)	\$ (31,814)	\$ (13,242)	\$ (13,307)	\$ 1,570	\$ 1,473
Depreciation and amortization(8)	26,603	21,975	18,233	11,656	8,226
Interest expense	19,745	19,187	11,106	5,137	4,760
Debt conversion charge		9,037			
Exit costs, impairment and other charges	6,493	458	2,635	108	
Income tax provision	750				
Adjusted EBITDA	\$ 21,777	\$ 37,415	\$ 18,667	\$ 18,471	\$ 14,459

(8)

Excludes amortization of loan origination fees which are included in interest expense.

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

The following discussion may contain forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in Item 1A "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Commission that advise interested parties of the risks and factors that may affect our business.

Overview

Gander Mountain Company operates the nation's largest retail network of stores specializing in hunting, fishing, camping, marine and outdoor lifestyle products and services. We have expanded our store base to 113 conveniently located Gander Mountain outdoor lifestyle stores, providing approximately 6.2 million square feet of retail space in 23 states: Alabama, Arkansas, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Tennessee, Texas, Virginia, West Virginia and Wisconsin. We anticipate opening five new stores in 2008, including one relocation and the consolidation of two smaller format stores into one large-format store.

Our core strategy is to provide our target customers with a unique and broad assortment of outdoor equipment, accessories, related technical apparel and footwear; expert services; convenient locations and value pricing. Our stores feature an extensive selection of leading national and regional brands as well as our company's owned brands. We tailor our merchandise assortments to take advantage of our customers' seasonal and regional or local preferences. We seek to combine this broad product offering with superior customer service based on our store associates' extensive product knowledge and outdoor-related experience.

Since its origin in 1960, our brand name has developed a strong appeal and relevance to consumers who participate in outdoor sports and recreation activities. Our customers value our "We Live Outdoors" culture and theme. From 1960 to 1996, our predecessor operated a nationwide catalog business that, by 1996, included 17 retail stores. In 1996 and 1997, Holiday Companies, which at the time owned and operated a group of retail sporting goods stores, acquired these Gander Mountain retail stores, formed our company and began to build a new outdoor lifestyle business utilizing the historic Gander Mountain brand.

In March 2003, we began transforming our market position from a traditional specialty store to a large-format, category-focused store. We did this by opening new stores in a large format and increasing the selling space within our original, small-format stores. Prior to March 2003, our typical store was approximately 31,000 square feet. Our large-format stores range from approximately 50,000 to 120,000 square feet, with our current focus primarily upon stores of 60,000 to 65,000 square feet plus an outside selling area. Our large-format stores are generally located with convenient access to a major highway and have an open-style shopping environment characterized by wide aisles, open bar-joint ceilings and high-density racking. To further build upon our brand's reputation for high quality and exceptional value, we are outfitting certain stores and our new stores with additional features such as brick and stone accents, log-wrapped columns, and improved branding, fixture, flooring and signage elements. As of February 2, 2008, 68 of our 113 stores were in our large format.

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The larger format enables us to offer more products and services to our customers. In 2004 we began offering the Arctic Cat brand of all-terrain vehicles (ATVs) in our large format stores. In spring 2007 we began to feature the popular Tracker Marine Group boat brands in our stores, including Tracker and Fisher fishing boats, Sun Tracker and Fisher pontoon boats, Nitro and ProCraft high-performance fishing boats, Tahoe runabout/deck boats, Mako offshore/inshore fishing boats, and Kenner Bay boats. To support these efforts we began to offer power shop services in our larger stores, including maintenance and repairs for ATVs, boats and other small engines. We have learned that we can be most successful offering ATVs, boats and related power shop services in selected markets based on market demand, competitive conditions and customer preferences. As of fiscal 2007 year end, we had reduced the number of our large-format stores offering ATVs and Tracker brand boats to 22 and 27, respectively.

Our large-format stores offer other unique features and specialized services, including a full-service gunsmith shop, a full-service archery pro shop and archery target lanes. Some of the large-format stores also include a bait shop that opens early for the convenience of our customers. We utilize outside selling areas adjacent to most of our large-format stores to display additional offerings of larger items such as ATVs, boats, kayaks, trailers and canoes.

Nearly all of our stores have a Gander Mountain Lodge, which is an in-store meeting room available for public use, where we provide hunter safety classes, outdoor-skills seminars and other community-focused activities.

On December 6, 2007 we acquired Overton's, Inc., a leading internet and catalog marketing company targeting recreational boaters and water sports enthusiasts. Overton's product line is extensive, ranging from water skis, wakeboards and apparel to electronics, boat covers, boat seats and other marine accessories. Overton's products are sold under two principal brands, Overton's and Consumers Marine, through a multi-channel approach that includes catalogs, websites (www.Overtons.com and www.Consumersmarine.com) and three retail showrooms. Overton's is a wholly-owned subsidiary of Gander Mountain headquartered in Greenville, North Carolina.

We are utilizing several strategic and operating initiatives aimed at improving our merchandise offerings, enhancing profitability and expanding the number and geographic diversity of our stores. We measure performance using such key operating statistics as comparable store sales, sales per square foot, gross margin percentage and store operating expenses, with a focus on labor, as a percentage of sales.

We also measure and evaluate investments in our retail locations, including inventory and property and equipment. Inventory performance is primarily measured by inventory per square foot and by inventory turns, or the number of times store inventory turns over in a given period, and amounts of owned inventory at various times based on payment terms from our vendors. The most significant investments in property and equipment are made at the time a store is opened by us.

We believe that the overall growth of our business will allow us to generally maintain or increase our product gross margins. Increased merchandise volumes should enable us to improve our purchasing leverage and achieve greater support throughout the supply chain. The mix of merchandise in our total sales also influences our product gross margins. As we continue sales and store growth, a number of other factors may impact, positively or negatively, our product gross margin percentage, including:

the introduction of new product categories with varying gross margin percentage characteristics,

changes in the merchandise mix at our current locations,

differences in merchandise mix by geographic location,

price competition,

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clearance activities in connection with seasonal inventory management,

closeout sales in connection with store relocations and consolidations,

sourcing of products from locations outside the United States,

vendor programs, and

supply chain enhancements.

In addition, our gross margin is impacted by store occupancy and distribution costs. We monitor these costs in absolute dollars and as a percentage of sales.

The most significant store operating expenses are labor and related employee benefits and advertising. Our employee benefits include health insurance, the cost of which continues to increase faster than the general rate of inflation. We continually monitor this cost and review strategies to effectively control increases, but we are subject to the overall trend of increases in health care costs. Advertising costs are monitored as a percentage of sales. These costs are largely variable, which allows us to actively manage them to facilitate achieving our sales, gross margin percentage and store operating contribution objectives.

Store operating contribution, which is calculated by deducting a store's operating expenses from its gross margin, is used to evaluate overall performance on an individual store basis.

Selling, general and administrative expenses are monitored and controlled as a percentage of sales. We have made significant investments in infrastructure, including our information systems, distribution capabilities and personnel. Our current infrastructure facilitates our planned opening of stores. We expect these expenses to decrease as a percentage of sales over time.

Pre-opening expenses will continue to be related to store openings, including relocations. These expenses will fluctuate based on the number and timing of new store openings.

Inventory turns are based on cost of sales and average inventory for the applicable period. We recognize that our inventory turns may be lower than those of other retailers, which we believe is due, in part, to the categories of merchandise we carry, including firearms, and the large quantities of merchandise we use in our in-store displays. We believe we have the opportunity to enhance our supply chain to improve our inventory turns. Additionally, in merchandise categories that experience slower inventory turns, we continue to work with vendors to increase our trade credit terms to reduce our investment in owned inventory. We cannot assure you that we will be able to improve our inventory turns or inventory investment.

Identification of appropriate new store sites is essential to our growth strategy. We believe our focus on our larger store size and our ability to utilize either recycled, or second-use, facilities or build-to-suit locations provides us with increased opportunities to find optimal real estate locations on attractive terms. We evaluate and invest in new stores based on site-specific projected returns on investment.

Since the acquisition of Overton's, we now have two reportable segments: Retail and Direct. The Retail segment sells its outdoor lifestyle products and services through its 113 retail stores located in 23 states. The Direct segment is the internet and catalog operations of Overton's, offering primarily boating and watersports accessory products through numerous direct mail catalogs and its e-commerce websites. We evaluated our operating and reporting segments in accordance with SFAS No. 131 and considered the discrete financial information reviewed by our chief operating decision maker in making decisions regarding allocation of resources and in assessing performance. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. Prior to December 6, 2007, we operated under one segment, Retail.

Results of Operations

The following table presents, for the periods indicated, selected items in the consolidated statements of operations as a percentage of our sales:

	Fiscal Year Ended		
	52 weeks	53 weeks	52 weeks
	February 2, 2008	February 3, 2007	January 28, 2006
Sales	100%	100%	100%
Cost of goods sold	75.2%	75.3%	76.1%
Gross profit	24.8%	24.7%	23.9%
Operating expenses:			
Selling, general and administrative expenses	24.8%	22.8%	23.4%
Exit costs, impairment and other charges	0.7%	0.1%	0.3%
Pre-opening expenses	0.5%	0.4%	0.8%
Gain on insurance settlement		(0.2)%	
Gain on contract settlement			(0.3)%
(Loss) Income from operations	(1.2)%	1.6%	(0.3)%
Interest expense, net	2.0%	2.1%	1.4%
Debt conversion charge		1.0%	
Loss before income taxes	(3.2)%	(1.5)%	(1.7)%
Income tax provision	0.1%		
Net loss	(3.3)%	(1.5)%	(1.7)%

Sales consist of sales from comparable stores, new stores and non-comparable stores, as well as direct sales through Overton's since December 6, 2007. A store is included in the comparable store base in its fifteenth full month of operations. A relocated store returns to the comparable store base in its fifteenth full month after relocation. New store sales include sales from stores we opened during the current period. Non-comparable store sales include sales in the current period from our stores opened during the previous fiscal year before they have begun their fifteenth month of operation.

Cost of goods sold includes the cost of merchandise, freight, distribution, inventory shrinkage and store occupancy costs. Store occupancy costs include rent, real estate taxes and common area maintenance charges. Cost of goods sold also includes the cost of merchandise and freight expenses of our wholly owned subsidiary, Overton's.

Selling, general and administrative expenses include store associate payroll, taxes and fringe benefits, advertising, maintenance, utilities, depreciation, insurance, bank and credit card charges and other store level expenses. It also includes all expenses associated with operating our corporate headquarters in St. Paul, MN as well as the expenses of Overton's direct marketing business since December 6, 2007, the date of acquisition. Refer to Note 1 in the accompanying notes to our consolidated financial statements for further detail on expense classification.

Pre-opening expenses consist primarily of payroll, rent, recruiting, advertising and other costs incurred prior to a new store opening.

Fiscal Year 2007 compared to Fiscal Year 2006

Sales. Sales increased by \$58.0 million, or 6.4%, to \$969.4 million in fiscal 2007 from \$911.4 million in fiscal 2006. The increase resulted from sales of \$122.3 million from fiscal 2007 and fiscal 2006 new stores not included in the comparable store sales base, a comparable store sales

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decrease of \$58.0 million and an \$11.8 million sales decrease from stores closed during 2007 but open in 2006 as well as changes in other revenue. Overton's sales for two months in fiscal 2007 also contributed \$5.5 million of the increase. In fiscal 2007, we opened 13 new stores, including three relocated stores, and added 700,000 square feet of retail selling space, a 12.8% increase. We also closed two underperforming stores in the fourth quarter of fiscal 2007. During fiscal 2006, we opened eight new stores, including one relocated store, and added 483,000 square feet of retail selling space, a 9.7% increase.

Our comparable store sales declined 5.4% for fiscal 2007, as compared to a comparable store sales decline of 1.1% for fiscal 2006. For fiscal 2007, the 5.4% decline is calculated by comparing the 52 weeks of fiscal 2007 to 52 weeks, not the actual 53 weeks, for fiscal 2006. The fiscal 2007 decline is due to weak sales in the second half of fiscal 2007. Comparable store sales in our fiscal third quarter decreased 8.4% and our fiscal fourth quarter decreased 11.9%, eroding the 2.7% comparable store sales increase in the first half of fiscal 2007. The sales decline was impacted by worsening overall economic conditions, including credit concerns, housing market foreclosures, rising fuel and food prices, and decreased consumer confidence. We believe these conditions negatively impacted many specialty retailers especially in the fourth quarter. In addition, in the fourth quarter of fiscal 2007, we believe sales were negatively impacted by our decision to reduce advertising expenditures.

Overall, the sales mix for fiscal 2007 was relatively consistent with fiscal 2006 with no product category changing its sales mix more than 125 basis points, except the powersports category. Powersports continued to gain market share with a significant increase in comparable stores sales and increased sales penetration of 252 basis points, driven largely by increased penetration of boat sales. The apparel category experienced a decline in its share of the sales mix, driven by less clearance sales in fiscal 2007 and less traffic in our stores during our third and fourth quarter prime seasons. The fishing category increased its penetration due partly to store expansion into the south and southeast where fishing participation is year-round, while footwear increased penetration due to store merchandising changes and new products.

Gross Profit. Gross profit increased by \$16.0 million, or 7.1%, to \$240.8 million in fiscal 2007 from \$224.7 million in fiscal 2006. As a percentage of sales, gross profit increased 18 basis points to 24.8% in fiscal 2007 from 24.7% in fiscal 2006. The more significant factors affecting gross margin during fiscal year 2007 were:

- an initial product margin increase of 180 basis points as a result of continued benefits from increasing scale, the positive impact of our Everyday Low Price strategy on our pricing structure, higher penetration of our owned-brand merchandise, and lower clearance inventory coupled with better management of clearance merchandise and pricing,

- a 73 basis point negative impact on initial margin from the change in our product mix, largely due to increased lower margin power sports sales and decreased higher-margin apparel sales, and

- a 55 basis point negative impact from increased store occupancy costs as a result of reduced leverage from lower comparable store sales and lower sales per square foot at our newer, less mature stores.

Selling, General and Administrative Expenses. SG&A expenses increased by \$33.3 million, or 16.1%, to \$240.7 million in fiscal 2007 from \$207.4 million in fiscal 2006. As a percentage of sales, SG&A expenses increased 208 basis points to 24.8% in fiscal 2007 from 22.8% in fiscal 2006. The primary factors in this increase were (i) labor costs in the retail stores that accounted for 66 basis points of the increase, as labor costs could not be adjusted commensurate with the sales decline, (ii) increased depreciation at the retail store level that resulted in a 29 basis points negative impact, and (iii) other selling, general and administrative costs which were negatively impacted 84 basis points from de-leverage due to weak sales. Overton's also added 28 basis points in selling, general and administrative expenses in fiscal 2007 during a seasonally slow two month sales period for Overton's.

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Exit Costs, Impairment and Other Charges. During the latter half of fiscal 2007, in response to changes in economic and retail industry conditions, management began efforts to streamline operating activities and took further actions designed to improve profitability. This included closing two unprofitable stores, a reduction in the stores and markets that sold our powersports products and reductions in workforce at our headquarters location in St. Paul. In addition, we recorded severance costs earlier in fiscal 2007 relative to two executive terminations. Also, as a result of the Overton's acquisition in December 2007, we wrote-off certain assets, whose use was discontinued, related to capitalized web site development costs that began earlier in fiscal 2007.

These charges in the aggregate were \$6.5 million for fiscal 2007 with \$4.3 million incurred in the fourth quarter. For fiscal 2006, these charges were \$458,000 and represented exit costs for closed stores and severance costs only.

Pre-opening Expenses. Pre-opening expenses increased \$1.6 million, or 49.0%, to \$4.8 million in fiscal 2007 from \$3.2 million in fiscal 2006. We opened 13 new stores in fiscal 2007 and eight new stores in fiscal 2006, including relocated stores in both periods. Pre-opening expenses on a per store basis declined slightly in fiscal 2007 due to continued efficiencies in store opening processes and cost control.

Gain on Insurance Settlement. During our third quarter of fiscal 2006, we recorded a gain of \$1.4 million in connection with an insurance settlement resulting from flood damage at one of our stores.

Interest Expense, net. Interest expense increased by \$0.6 million, or 2.9%, to \$19.7 million in fiscal 2007 from \$19.2 million in fiscal 2006. The increase in interest expense resulted from higher average outstanding borrowings used to fund our growth and operating loss. Average outstanding borrowings during fiscal 2007 increased 13%, as compared to fiscal 2006, due primarily to increased cash used to fund our growth and operating loss, for capital expenditures in connection with new and existing stores and the Overton's acquisition. Higher average borrowings were substantially offset by an approximately 50 basis points decrease in average interest rates due to general interest rate declines and as a result of the February 28, 2007 amendment to our credit facility. Average interest rates on our outstanding borrowings were 56 basis points lower in fiscal 2007 than in fiscal 2006. The average effective interest rate on all of our outstanding borrowings as of February 2, 2008 and February 3, 2007 was 6.82% and 7.85%, respectively.

Debt conversion charge. In December 2006, we completed a private placement of \$50 million of our common stock. The purchase price was paid with \$30 million in cash and the tender of our outstanding \$20 million convertible note in exchange for 5,701,255 shares of common stock. In connection with this transaction, we recorded a non-cash charge of \$9.0 million in fiscal 2006 representing the fair value of the common shares issued in excess of the shares that were issuable under the original convertible note agreement executed in August 2005.

Income Tax Provision. Our fiscal 2007 tax provision primarily represents minimum or net worth taxes due in various states. Certain states have adopted an adjusted gross receipts tax. We have no provision for Federal income tax for fiscal 2007 or fiscal 2006 due to the uncertainty of the realization of the net operating loss carryforwards. We have determined the realization of the tax benefit related to our net deferred tax asset is uncertain at this time and a valuation allowance was recorded for the entire balance of our net deferred tax asset.

Net Loss. Our net loss was \$31.8 million for fiscal 2007, as compared to net loss of \$13.2 million for fiscal 2006, due to the factors discussed above.

Fiscal Year 2006 compared to Fiscal Year 2005

Sales. Sales increased by \$107.0 million, or 13.3%, to \$911.4 million in fiscal 2006 from \$804.5 million in fiscal 2005. The increase resulted from sales of \$118.4 million from fiscal 2006 and fiscal 2005 new stores not included in the comparable store sales base, a comparable store sales increase of \$2.3 million and a \$13.7 million sales decrease from stores closed during 2006 but open during 2005 and changes in other revenue. Our comparable store sales decline of 1.1% is the result of comparing the 53 weeks of fiscal 2006 to 53 weeks, not the actual 52 weeks, for fiscal 2005. In fiscal 2006, we opened eight new stores, including one relocated store, and added 483,000 square feet of retail selling space, a 9.7% increase. During fiscal 2005, we opened 19 new stores, including two relocated stores, and added 1.2 million square feet of retail selling space, a 33% increase.

Comparable store sales decreased 1.1% for fiscal 2006 primarily from weak sales in our first half of fiscal 2006. Comparable store sales in our fiscal third quarter increased 7.4% and were approximately flat in our fiscal fourth quarter at 0.4%. Our fiscal fourth quarter was negatively impacted by particularly warm weather in our northern states in December, which adversely affected apparel and footwear. The slower first half of fiscal 2006 is primarily reflective of (i) reduced spending in advertising and promotions, (ii) our focus on our Everyday Low Price strategy that resulted in fewer promotions to drive customer traffic, and (iii) lower levels of clearance merchandise available to customers. Cannibalization from some of the new store openings and new competition entering some of our markets continues to reduce our overall level of comparable store sales.

Overall, the sales mix for fiscal 2006 was relatively consistent with fiscal 2005 with no product category changing its sales mix more than 1%, except the firearms/ammunition category. Our firearms/ammunition category continues to gain market share with a significant increase in comparable stores sales and increased sales penetration of 170 basis points. The power sports category increased its sales penetration by 60 basis points, driven largely by ATV sales at new large-format stores and increased penetration of boat sales in our second year with this category. The apparel/footwear category experienced a decline in its share of the sales mix, primarily driven by weather factors.

Gross Profit. Gross profit increased by \$32.3 million, or 16.8%, to \$224.7 million in fiscal 2006 from \$192.4 million in fiscal 2005. As a percentage of sales, gross profit increased 80 basis points to 24.7% in fiscal 2006 from 23.9% in fiscal 2005. The more significant factors primarily affecting gross margin during fiscal year 2006 were:

an initial product margin increase of approximately 140 basis points as a result of continued benefits from increasing scale, the positive impact of our Everyday Low Price strategy on our pricing structure, higher penetration of our owned-brand merchandise, and lower clearance inventory coupled with better management of clearance merchandise and pricing,

an approximately 40 basis point negative impact from the change in our product mix,

an approximately 30 basis point favorable impact from increased co-branded credit card revenues,

an approximately 25 basis point favorable impact from improved leverage from distribution costs,

an approximately 30 basis point negative impact from increased store occupancy costs as a result of reduced leverage from lower comparable store sales and lower sales per square foot at our newer, less mature stores,

an approximately 40 basis point negative impact from reduced vendor discounts for new stores as a result of opening fewer new stores with lower inventories for those new stores, and

an approximately 25 basis point negative impact from the continuation in the trend toward higher freight-in costs as fuel prices increased.

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Selling, General and Administrative Expenses. SG&A expenses increased by \$19.5 million, or 10.4%, to \$207.4 million in fiscal 2006 from \$188.0 million in fiscal 2005. As a percentage of sales, SG&A expenses decreased 61 basis points to 22.8% in fiscal 2006 from 23.4% in fiscal 2005. Advertising expense decreased 74 basis points due to our decision to reduce advertising in the first half of the fiscal year and shift a portion of advertising expenditures from print media to local radio in the second half of the fiscal year.

Exit Costs, Impairment and Other Charges. Exit costs, impairment and other charges decreased by \$2.2 million, or 82.6%, to \$458,000 in fiscal 2006 from \$2.6 million in fiscal 2005. In fiscal 2006, we incurred minimal charges for stores that were closed for relocation and a minimal amount for severance. In fiscal 2005, we incurred \$1.3 million in charges for stores that were closed for relocation, one with a significant remaining lease commitment and an additional \$1.3 million in severance costs, primarily at the executive and corporate level.

Pre-opening Expenses. Pre-opening expenses decreased \$3.3 million, or 50.5%, to \$3.2 million in fiscal 2006 from \$6.6 million in fiscal 2005. We opened eight new stores in fiscal 2006 and 19 new stores in fiscal 2005, including relocations. Pre-opening expenses on a per store basis declined slightly due to continued efficiencies in store opening processes and cost control, with the exception of costs related to one significantly larger store.

Gain on Insurance Settlement. During our third quarter of fiscal 2006, we recorded a gain of \$1.4 million in connection with an insurance settlement resulting from flood damage at one of our stores.

Gain on Contract Settlement. During our first quarter of fiscal 2005, we received a \$2.5 million non-recurring payment relating to the termination of our contract with the former provider of our co-branded credit card services in consideration of the lost opportunity.

Interest Expense, net. Interest expense increased by \$8.1 million, or 72.8%, to \$19.2 million in fiscal 2006 from \$11.1 million in fiscal 2005. The increase in interest expense resulted from higher average net borrowings used to fund our growth, including the placement of \$20 million of convertible debt in August 2005 and the addition of a \$20 million term loan to our credit facility in March 2006. Average interest rates on our credit facility were approximately 200 basis points higher in fiscal 2006 than in fiscal 2005. The interest rate in effect on our credit facility at February 3, 2007 and January 28, 2006 was 7.3% and 6.5%, respectively.

Debt conversion charge. In December 2006, we completed a private placement of \$50 million of our common stock. The purchase price was paid with \$30 million in cash and the tender of our outstanding \$20 million convertible note in exchange for 5,701,255 shares of common stock. In connection with this transaction, we recorded a non-cash charge of \$9.0 million representing the fair value of the common shares issued in excess of the shares that were issuable under the original convertible note agreement executed in August 2005.

Income Tax Provision. We did not record an income tax provision for fiscal 2006 or fiscal 2005 due to the uncertainty of the realization of the net operating loss carryforwards. We have determined the realization of the tax benefit related to our net deferred tax asset was uncertain and a valuation allowance was recorded for the entire balance of our net deferred tax asset.

Net Loss. Our net loss was \$13.2 million for fiscal 2006, as compared to net loss of \$13.3 million for fiscal 2005, due to the factors discussed above.

Quarterly Results of Operations and Seasonality

Our quarterly operating results may fluctuate